NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS

S. HRG. 99-1098

THE CATHOLIC CHURCH SPEAKS OUT ON POVERTY: ETHICS AND ECONOMICS

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

NINETY-NINTH CONGRESS

SECOND SESSION

DECEMBER 22, 1986

Printed for the use of the Joint Economic Committee

U.S. GOVERNMENT PRINTING OFFICE

76-727 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

J841-13

JOINT ECONOMIC COMMITTEE

[Created pursuant to sec. 5(a) of Public Law 304, 79th Congress]

HOUSE OF REPRESENTATIVES

DAVID R. OBEY, Wisconsin, *Chairman*
LEE H. HAMILTON, Indiana
PARREN J. MITCHELL, Maryland
AUGUSTUS F. HAWKINS, California
JAMES H. SCHEUER, New York
FORTNEY H. (PETE) STARK, California
CHALMERS P. WYLIE, Ohio
DANIEL E. LUNGREN, California
OLYMPIA J. SNOWE, Maine
BOBBI FIEDLER, California

SENATE

JAMES ABDNOR, South Dakota, *Vice Chairman*
WILLIAM V. ROTH, Jr., Delaware
STEVEN D. SYMMS, Idaho
MACK MATTINGLY, Georgia
ALFONSE M. D'AMATO, New York
PETE WILSON, California
LLOYD BENTSEN, Texas
WILLIAM PROXMIRE, Wisconsin
EDWARD M. KENNEDY, Massachusetts
PAUL S. SARBANES, Maryland

SCOTT LILLY, *Executive Director*
ROBERT J. TOSTERUD, *Deputy Director*

CONTENTS

WITNESSES AND STATEMENTS

MONDAY, DECEMBER 22, 1986

	Page
Obey, Hon. David R., chairman of the Joint Economic Committee: Opening statement	1
Proxmire, Hon. William, member of the Joint Economic Committee: Opening statement	3
Weakland, Rev. Rembert G., O.S.B., Archbishop of Milwaukee, WI	5
Hollenbach, Father David, S.J., professor of moral theology, Weston School of Theology	29
Sawhill, Isabel V., program director, Urban Institute	43
Niskanen, William A., chairman, Cato Institute	56
Burtless, Gary, senior fellow, Brookings Institution	59
Mead, Lawrence M., associate professor, Department of Politics, New York University	78
Hehir, Father J. Bryan, secretary, Department of Social Development and World Peace, U.S. Catholic Conference	101

SUBMISSIONS FOR THE RECORD

MONDAY, DECEMBER 22, 1986

Burtless, Gary: Prepared statement	64
Hollenbach, Father David: Prepared statement	33
Mead, Lawrence M.: Prepared statement	82
Sawhill, Isabel V.: Prepared statement	46
Weakland, Rev. Rembert G.: Prepared statement	12

APPENDIX

Staff study entitled "The Growth in Poverty: 1979–85," prepared by the Joint Economic Committee, December 1986	117
Paper entitled "Economic Justice for All Marylanders," recommended policy directions from the Maryland Catholic Conference	155

THE CATHOLIC CHURCH SPEAKS OUT ON POVERTY: ETHICS AND ECONOMICS

MONDAY, DECEMBER 22, 1986

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in room 2359, Rayburn House Office Building, Hon. David R. Obey (chairman of the committee) presiding.

Present: Representative Obey and Senator Proxmire.

Also present: Michael B. Levy, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE OBEY, CHAIRMAN

Representative OBEY. Good morning. The last of January the Joint Committee began its year commemorating its 40th anniversary of the Employment Act of 1946 and as a result of that act the Joint Economic Committee enjoined government to pursue all practical means to promote maximum employment, production, and purchasing power.

Today we are holding our final hearing for 1986 in order to discuss the American Catholic bishops' letter on the economy. This document does not carry the force of law that the Full Employment Act purportedly does carry with it. It certainly does, however, carry with it undeniably great moral weight.

Like the Employment Act, it challenges our entire community, our public and private sector, individuals and institutions, Catholics and non-Catholics alike, to consider how our economy affects the dignity, freedom and the opportunities of each person.

Like the Employment Act, it calls for a public economic policy. In measuring what functions an economy must perform, the bishops have asked that we give special consideration to the poor. They call it the preferential option of the poor. Their concerns are not the concerns of those who are limousine liberals but rather of those who deal on a daily basis with the homeless and the hungry and many other people who struggle heroically to raise families and survive in a less then perfect world.

I think in that way I'm reminded of a fellow by the name of Harvey Dugall. Harvey Dugall served with me in the Wisconsin legislature many years ago. He's probably the wisest person I have ever served with. Harvey observed frequently that the poor and the rich got the same amount of ice but the poor got theirs in the wintertime.

I think that's pretty accurate, unfortunately. But I think it's a mistake to merely look at the bishops' letter as simply being just about the poor. It speaks to the necessity to manage the economy in a way that increases opportunity for all workers, not just the poor, and to develop their humanity as well as their bank accounts. It recognizes that economics is not just a matter of mathematics, it is also sociology and psychology. It impacts not just on economic performance but on family health and strength on our own social values.

When politicians some 40 years ago passed the Employment Act of 1946, they were sailing with the political wind. In 1986, the bishops are in a sense acting against the wind. Some of their critics charge that their letter represents sentiments, not social science; or more kindly, that the bishops speak sound ethics but unsound economics.

Frankly, I am not sure that anyone can speak in sound economics these days and I don't think we can be sanguine about the system as it exists today, even with all of its strengths.

Unemployment figures today, 4 years into a recovery, resemble those of past recessions. The poverty rate for this past year was 14 percent as compared to 11.5 percent in the last recovery. Contrary to popular opinion, most of the increase in poverty since 1979 has come in traditional two-parent married couple families. The vast majority of new jobs created during this recovery have been low-wage jobs, making the goal of a family wage ever more illusive. And if those trends continue, families will find it more difficult to work their way into the middle class and even more difficult to remain there once they have arrived.

If we take a look at how the economy is impacting our families, I think there are examples that make it quite clear that we still have quite a ways to go in reaching nirvana.

I graduated from college in 1960, the year that Jack Kennedy became President. At that time, the average 30-year-old worker who had been out of the family nest about 10 years was on average in real dollar terms making about 30 percent more than the young worker's father had been making when that young worker had left home.

Today, in real dollar terms, that same 30-year-old worker on average in real dollar terms is making about 10 percent less than that young worker's father was making when he left home.

Another problem. Classically, in this economy workers tend to increase their income to the greatest degree between the ages of 25 and 35. In 1975, the average 35-year-old worker had increased his wages by about 116 percent in real terms between the time he had been 25 and the time he reached 35. Today, the average 25-year-old worker on average has increased his income only about 15 percent.

So I think it's a legitimate question to ask of the performance of the economy for all of us, not just for the poor but certainly with special respect to the poor. I think it's also fitting to note that in terms of the jobs that have been created in this economy since 1979 we've had approximately 60 percent of those jobs created at less than $7,000 a year. Even the white male, who is supposed to be the backbone of prosperity in our work force—even the white males

have seen the loss of 1 million jobs that pay $28,000 a year or more since 1979.

In my own view, this economy has had a fundamental problem really going back to 1973 and I don't think that either party has learned how to run the economy in a way that maximizes opportunities for full employment or for the greatest degree of economic growth that would be possible if we used better fiscal policies and better investment policies.

It is crucial if the political system is to react to a full range of ideas, of proposals in our society, that the religious authorities be heard from as well as everyone else. It's crucial that they make their moral and ethical views known on these issues. I think it is legitimate for public officials to weigh and consider heavily the moral advice of the clergy. I also think it's essential that they reserve to themselves as representatives of all of our constituents a judgment as to what is workable in a society as multifaceted as ours.

I believe it's imperative for public officials to reserve to themselves questions about strategies, the efficacy of those strategies, and even in pursuing a free hand, I think that's essential. In fact, I think that the oath that we take on the Constitution requires it. Nonetheless, I think a good case can be made for much of what the bishops are talking about, but that really isn't my judgment to make.

The purpose of this hearing is to give the bishops an opportunity to lay out what is in their letter and what led them to draft that letter. I don't expect the bishops to make the economic as well as the moral and ethical case for their letter, although I happen to believe that a good case can be made for a significant portion of it. But there are others here this morning who will evaluate the bishops' letter in terms of its economic advisability and practicality, and we will hear from them as well.

The game plan this morning will be to first hear from the Most Reverend Rembert Weakland, Archbishop of Milwaukee, who will explain what is in the letter and what led the bishops to produce it. We will then hear from Father David Hollenbach, professor of moral theology, Weston School of Theology, who will relate to us the relationship that the bishops see between ethics and economics. We will then have a panel of four economists: Gary Burtless, senior fellow, Brookings Institution; Isabel Sawhill, program director, Urban Institute; Mr. Lawrence Mead, associate professor, New York University; and Mr. William Niskanen, chairman of the Board of Cato, and an old friend who has given service at the Council of Economic Advisers; and then we will hear from Father J. Bryan Hehir, secretary, Department of Social Development and World Peace, U.S. Catholic Conference, to sum up, and I suppose to give his reaction to what was heard before.

Before I call on Archbishop Weakland, I would like to call on my good colleague from Wisconsin, Senator Proxmire, for whatever comments he would like to make.

OPENING STATEMENT OF SENATOR PROXMIRE

Senator PROXMIRE. Thank you very much, Mr. Chairman.

Archbishop Weakland, welcome to Washington and to this committee. This is a kind of Wisconsin in Washington committee. As you know, the chairman is David Obey. The chairman a few years ago was Henry Reuss. I was chairman of the committee on two different occasions and it's a committee we are very proud of, and it has made a real contribution both to our economy and to the greater efficiency of our government operations.

I just want to thank you for coming here and testifying and I want to say that this is the second major challenge that you've met in a short time, you and the Catholic Church have met. The first statement was made with respect to the challenges of the nuclear world. I think when the Catholic bishops spoke out and said that this is the first time since Genesis that mankind has within its grasp the terrible ability to destroy mankind itself, it was a marvelously stirring challenge and I think it was absolutely right and that's one of the big reasons why I've tried to speak on the floor of the Senate every day for the last 4 years on that issue.

Now you're speaking on another issue that is also very challenging. This is the richest country in the world by far, the highest per capita income of any big country in the world. Whether we like it or not, we are the economic leader of the world. We have within our capability the prospect of being able to do a great deal more about poverty and the terrible plight of many of our fellow citizens than we have done, and I think that your statement was another great challenge.

When you point out, as you do, that while we do have a rich society and a society of which we are very proud, we also have a society in which there are many, many poor and which, as the chairman of this committee has done so well in the past year or so—couple years—to underline and emphasize, we have a country in which a very large proportion, more than half of our people, are doing much less well than they have done before and than they should do.

And you have called our attention to the very, very, very serious challenge of poverty. I want to thank you for that and I want to tell you that although how we solve it is extraordinarily difficult and complicated, especially in view of the fact that we now have a combination of a very, very explosive fiscal problem and a serious, tremendous deficit that we have to recognize regardless of how deeply we feel about overcoming poverty. The way that we've tried to do this in the past is by having a policy to stimulate the economy through fiscal expansion. We can't do that now. That is not availble to us. Monetary policy over the last 18 months has also been very, very expansive, so that is not a very good alternative.

I'm delighted to see that you're pointing at the possibility of raising the minimum wage which is something that we can do without affecting monetary or fiscal policy. And there are other thoughtful and ingenious suggestions you've made that I think we can work hard to do, and I think this is the right committee to address. We hope that we can, as we have in the past been able to persuade our standing committees to report legislation on the floor of the House and the Senate which is constructive, and we're going to try to do that here, and you are providing excellent inspiration. Thank you.

Representative OBEY. Archbishop Weakland.

STATEMENT OF THE MOST REVEREND REMBERT G. WEAKLAND, O.S.B., ARCHBISHOP OF MILWAUKEE, WI

Archbishop WEAKLAND. Thank you, Mr. Chairman.

Senator PROXMIRE. Let me just say, unfortunately, I have to have a tooth extracted at 10:30, so I'm going to have to leave a little later.

Archbishop WEAKLAND. I have a prepared statement, Mr. Chairman, which I would like to submit if that's all right and then just comment on it.

Representative OBEY. Sure.

Archbishop WEAKLAND. Thank you for the opportunity to appear here. As you know, the bishops voted in November on this economic pastoral letter called "Economic Justice for All." The vote was 225 affirmatives to 9 negatives, so it was an overwhelmingly positive vote. And they also voted at the same time a half a million dollars for the promulgation and implementation of the letter. So I can assure you that it's going to be around for a long time yet to come and that it's something that will be entering into almost all educational forces within the Catholic Church within the next year.

Our main purpose in the letter was to try to join together the moral and the ethical implications of economic decisionmaking with the empirical. We realized that the technical competence was absolutely necessary but at the same time we realized that because the economy affects people and the lives of people and the quality of their lives that those decisions also have a moral content.

We bishops are concerned about people primarily and the lives of people and we have to be. I'd like to give a kind of apolegia for the bishops entering into this kind of discussion.

First of all, we do deal with the poor. We have Catholic social services in almost every diocese, so we have a certain amount of expertise, if you will, in dealing with those problems. But sometimes people forget also that the Catholic Church has an enormous amount of experience also in business. I don't think that we bishops could apologize for speaking out on issues of this sort.

I see my diocese as sort of a multinational one where the bishop has to deal with insurance. The properties of the Archdiocese in Milwaukee are insured for over a billion dollars. We have to deal with pension funds. We have to deal with hospitals. We deal with education on all levels. We deal with cemeteries. We deal with Catholic social services. We are constantly dealing with enormous problems and, therefore, we have a certain amount of experience that I think we can bring also to the issue.

Our document is basically a capitalist document, but we do believe that that capitalism, as much as it has produced in the past to help people, has always been modified by human rational beings so that it functions better. We do not believe in a kind of mechanistic concept of economics, but rather a rational concept that is under the guidance of human people so that it can produce more to help people.

Our main point that has been studied so often has been that we ask the question: What does the economy do for people; what does it do to people; and how do people participate in that economy?

For us, if you don't ask these questions, then you're not really being totally human and you're not talking about the dignity of the human person as you should.

Every time I use that word in that phrase—the dignity of the human person—I get a kind of feeling that people think we're being a bit abstract and naive. And yet every time you fight for any kind of adequate wage, any time you fight in labor for adequate kinds of environment for work, all of those things touch the dignity of the human person.

As has happened so often in our history in the United States—the abolition of slavery, that certainly is a question of the dignity of the human person and affects the economic system. Almost everything that's happened in the time of the industrial revolution affects the dignity of the human person and the need to bring some kind of control to the capitalist system so that it helps more and more people. For us, this is the primary concern that we had on the morality and the empirical questions come together.

I would briefly sum up now the principles in that letter because to us that is the main contribution of the letter.

We studied our biblical tradition. We studied our ethical tradition. We went all over the country interviewing people. We interviewed business people. We interviewed economists. We interviewed the poor. We interviewed those working with the poor. For about 3 years we listened and listened and listened. And we kind of tried to distill out of our tradition and of what we heard a set of principles because we felt there was lacking information of a kind of moral vision with regard to the economy. We found that many people were specialized. They had a certain interest and concern. But few were able to bring together the entirety. I don't know how many of our participants at the hearings mentioned the need for someone to bring together all of the various disciplines. We feel that we have struggled to do this and have done it in a way that perhaps no one has done before us.

In addition, many, many of the participants in our hearings mentioned that we should strive for the long view, that we bishops didn't have to run for office every 4 years—some hoped we would—but nevertheless, we had the possibility then of looking at things in a larger span of time and we didn't have to get stuck in that kind of a short time period.

Among the principles that we evolved from the "human dignity" that I mentioned earlier, the first is the social nature of the human person. We used here words like "common good," "solidarity," a reemphasis on a good word by Cardinal O'Neal, "common wealth," to the need to have that sense of being one with others to balance a bit the enormous amount of rugged individualism that has been such an integral part of our capitalist system.

And coming from that common good and that solidarity, we emphasized the right for everyone to participate in the economic life of a society. That we feel is absolutely necessary to say today. On the negative side is marginalization—those who have no voice, no choice in the social, economic and political structures of our society. So we wanted to bring people into our economic life. Those who said that our document was primarily a welfare document have missed the main point.

The main point is that we want people to participate, we want people to be a part of the economic life and to share in determining the future of their own lives.

In that consideration of the need for everyone to participate we noticed that the greatest need is for those who aren't, those who are poor, and we say that because there is the greatest need there among the poor, therefore, there has to be the greatest response on our part.

We have taken that as a term to describe that the option for the poor. This option for the poor simply means that there are those out there who don't have a voice, who don't have the possibility to participate, and they are the weakest link in our social chain. For that reason, to strengthen the whole of the life of the community you have to strengthen the life of that weakest chain. In the middle of that discussion on the poor we talked about human rights and specific economic rights. This term has raised a little bit of eyebrows, but we feel that people do have the right to adequate income, employment, food, shelter, medical care, and so on. And we feel that you have to talk about a minimum level of material well-being for everyone in this society. We feel that these economic rights have to be guaranteed not by government alone but by the whole of society and that everyone has to be concerned about helping those who are not making it.

We do talk about the responsibility of government and I assure you that the bishops' letter in conformity with the whole of Catholic teaching has not been returned. We believe in government and we believe in limited but a very, very positive concept of government and we decry very much in our government negative concepts toward government, the ridiculing or downgrading of government. We feel that when that takes place in a society the whole fabric begins to fall apart and we are very positive about the role of government.

We talk a great deal about a concept called subsidiarity in relationship to how government and all kinds of social institutions should work; namely, that where the hurt that is where government should intervene and it should be at the lowest level possible effectively so it can operate, but at the same time must never exonerate the whole government on all levels from being concerned and taking its rightful role.

We feel that we should not weaken at this moment of our existence also those positive concepts concerning government.

In addition to what you might call those principles, we treat in our letter also about the different categories within our society. We talk about work, the right of workers for common human dignity. We talk also about the rights and duties of employers. We talk about unions. All of this one would expect from a Catholic document.

We also talk about the rights and duties that go with private ownership, the responsibilities that go with private ownership. We do not see those private properties as an end in itself, but rather as a means to try to assure more participation for all.

We even talk a bit about a diffusion of the distribution of property. Today that might go beyond physical properties to include the whole of wealth so that everyone can participate fully.

That is the first part of our document. These are principles. And I can assure you that they are consonant with the whole of Catholic tradition.

Out of that set of principles we begin then to talk about some policy implications, but before I say a word about that I would like to say something about those principles. I've been fortunate enough in the last year to give many lectures on this economic pastoral letter outside the United States—in Italy, Austria, and Switzerland—and have had many contacts in South America, and I can assure you that those principles that are in that letter are very much listened to and in consonance with the thinking of so many outside the United States. Many from Europe, for example, find that in that first section they resonate with those doctrines which were the bases for the founding of so many of the christian democratic parties in Europe right after the war so many of them would ask questions about how that first part of the letter relates to things that Adenauer would have said or Schuman would have said in France.

When I go to South America—and I think recently it's important that the bishops of Mexico voted in favor of this letter because they found that they're in need of some vision, some economic moral vision, that they can hand their people to kind of curtail and refrain some of the neo-Marxist doctrines that are there and they have finally found something that they feel unites all of us within the church, which is multinational, and at the same time gives them a basis for showing that the capitalist system can be modified in a human and moral way.

Rapidly, some of our policy implications, we try to take those principles and we applied them to just four distinct areas or fields. We had 26 we wanted to do and we found that to do that would have taken us a lifetime. So we picked 4 out of those 26 that we thought we had a certain amount of experience and that were more crucial to an examination of where things are today. That's why we began immediately with employment.

We felt that if our principles were convincing that people had a right to participate, then we had to talk about employment and we feel that employment is one of those issues that's so forgotten in our world today that we are becoming complacent with a 7 percent unemployment and just kind of take this as natural. But we're crying against that kind of complacency and we see employment as a basic right and a right that protects freedom and helps all to participate in the life of the society and we feel that that has to be discussed again today and kept constantly before our eyes. You cannot talk about solutions to the poverty issue if you're not beginning to talk about solutions to the unemployment question.

So we begin to look at ways and means in which that unemployment issue can be taken seriously and ways in which jobs can be created. We have some various points under there which we feel are important but probably the most important issue for us is simply the emphasis on the need for participation through jobs.

The section that has become the most popular is the one on poverty and we don't regret that. The letter is not a letter totally on poverty but, nevertheless, poverty is the issue that was picked up

from the letter and I say "Amen," because that's a great emphasis and it certainly says what the bottom line is.

We describe some of the effects of poverty and some of the extents of poverty in the letter and I can assure you that people all over the country would seem to be suddenly awakened to that poverty out there. And I can honestly say, too, in the 9 years I've been bishop this Christmas I have seen more sharing among people than I've ever seen in my life before and I think it's that sensitivity out there that suddenly people are aware of the poor in ways that they've never been before, and if that's all the letter accomplishes that in itself is for us a major achievement.

We want to emphasize, though, in our letter that 33 million plus people who are poor out there, they have to be dealt with. We cannot ignore that. We call that a social and moral scandal that we must as a nation touch, especially with regard to children. The fact that one in every four children under the age of 6 is poor and one in every two black children under 6 is poor, what that's going to mean 10 or 20 years from now. Those are serious issues that we cannot neglect.

We talk a fair amount of ways in which we think the poverty issue can be faced. We know that it's complex, that it's not one that one can deal with in a simplistic fashion. But, nevertheless, we ask for a national strategy to deal with that problem.

We begin first of all with the need for a healthy economy and jobs. We feel that this is the way in which it must begin.

Then we take a look at the various groups, especially women, minorities, that are affected by poverty today and what we can do for them. I would like in this context to say a word about a section that has not been talked about too much in our poverty chapter and that is that deals with education and here again the Catholic Church has had a long tradition of dealing with education and seeing education as perhaps the primary way in which we help people remove themselves from poverty.

Having been a welfare kid in my youth during the depession years I can honestly say that my way out of poverty was education in the Catholic Church, and we want that tradition to continue. But at the same time, we sense the need to emphasize public education and the need for that education to be strengthened so that people will obtain the kind of skills that they need to participate in society but also the kind of sense of their own dignity and worth. And it's that which is the real incentive that helps people to come out of poverty.

I was a musician as a kid and the old Irish pastor recognized these musical talents and so I got free lessons from the good sister on piano and organ and began to move ahead in music. When I later graduated from Julliard I had to remember that that all started because an old Irish pastor saw a talent there and decided that that talent should be developed. Those I think are ways in which education help people move out from poverty.

We have something also to say about the welfare system. Again, we talk about employment, but you can't talk about employment without talking about adequate employment and the need there to earn enough money to take care of self and family and, as we all

know, with so many single parent households, also the need for child care.

Perhaps not everybody will be happy with some of the things we say in that chapter on welfare and reform of AFDC, but we do feel a need for a national eligibility standard, national minimum benefit levels for public assistance over the whole nation. We feel we've done this in other areas and we should be able to do it also in welfare.

I would like, though, to emphasize again that we are concerned about other values, not just the values of helping. We are concerned about how welfare affects family. We are concerned about the whole economic system as it affects family life and the need to keep constantly strong that family basis for our existence.

We do say some things too about inequality in the United States of wealth and income and the gap which is increasing and how frightened we are about that kind of tendency within this society.

Food and agriculture is another point that we brought up because of the imminent crisis right now and I could sum up in one sentence our fear in that chapter. It's a fear that if we lose the wide distribution of ownership which is now common because of the family farm, we could get ourselves into some serious problems down the road with regard to food and the necessity of food in a society. So we are concerned about, if you will, the question of monopoly in terms of the raising of food. We also are concerned about those who are suffering at this moment.

I could not though let these policy issues disappear without a word about the international concerns that we have and I would have to say that the whole letter is written under the kind of presupposition that we are in a global economy, an interdependency on all economic issues, and we tried to bring those together in this section on the economic concerns and we apply here the same kind of principles that we had used earlier.

We talk about the debt crisis. We talk about the preferential options for the poor, the poorest nation. We try to show the kind of international bodies that we should be dealing with in order to alleviate some of the human costs in those difficult situations.

Last, we have a chapter that's been a bit neglected. It's chapter 4 of the letter. We call it the "New American Experiment." It's kind of a way in which we see that all people should begin to broaden their possibility to participate in economic decisionmaking. We talk about new ways of collaboration on all levels, not just between management and labor, but also by region, different groups within the society, whether it be the private sector, the public sector, and the mediating structures.

That chapter has been a bit neglected but we feel that it says something positive about the future.

I won't say anything about the last chapter of the document which deals with internal church problems, but I just want to let you know that we have not neglected the fact that what we say others should do we want to do ourselves within our own structures so that we too are economically just.

So, Mr. Chairman, that is in a way the synopsis of the letter. I assure you that it will be around for a long time to come. We hope that it will have some enduring values, especially on the question

of vision and the question of moral implications of the economy. Thank you.

[The prepared statement of Archbishop Weakland follows:]

PREPARED STATEMENT OF ARCHBISHOP REMBERT G. WEAKLAND

Thank you, Mr. Chairman, for the invitation to appear before this Committee. I welcome the opportunity to discuss the pastoral letter, "Economic Justice for All," which was approved last month by the National Conference of Catholic Bishops.

As you know, this document is addressed primarily to the the 52 million Catholics in our own Church, but it is also intended to be a contribution to the broader public debate about how we shape the institutions and policies that help to govern our social and economic lives. By initiating an explicit discussion of moral values and ethical principles we hope to make some small contribution to the shaping of a more just economy. We seek to be a catalyst to join the moral and the technical, to overcome the temptation to discuss economics as if it were a value-free science. We have undertaken this exercise with the firm conviction that a conscious effort to engage morality with economics will enhance the quality of public discussion in our society.

Our Catholic tradition recognizes the value of technical competency and empirical accuracy on issues of public policy. These are clear prerequisites for the achievement of just and effective decision-making in an arena as complex as our nation's economy. But these are not enough. Moral judgment based on sound values is also an essential element. For behind the maze of statistics and the rise and fall of economic indicators lie human lives and individual tragedies and successes. Behind the charts are real families and cities and neighborhoods deeply affected by the social consequences of economic decision-making. It is precisely because these economic decisions ultimately affect human persons that economic issues must also be seen as moral issues - - issues that cannot be adequately resolved without considering the basic values that underlie them. Therefore, the formulation and implementation of economic policies cannot be left solely to technicians, special interest groups and market forces. It must also involve a discussion of the ethical values and the moral priorities of our nation.

I do not wish to attempt here a summary of the pastoral letter for it is a quite lengthy document. Instead, I will highlight several of the important moral principles in the letter, and comment on some of the economic policy issues that are addressed in the letter.

We begin our pastoral letter by saying that any perspective on economic life that is human, moral, and Christian must be shaped by three questions: What does the economy do for people? What does it do to people? And, how do people participate in the economy? The basis for all of the moral norms presented in the letter is the belief in the dignity -- the sacredness -- of the human person. In short, the Church is interested in economic issues because the Church is interested in people.

This concept of human dignity may seem vague, but it has many practical applications. The battles we faced in the U.S.A. to gain civil rights for blacks were battles for human dignity; the struggles for decent labor conditions that were carried on at the time of the Industrial Revolution were struggles for human dignity; assisting workers affected by plant closings is a question of human dignity; standing with farmers as they see their life's work and heritage disappear is a question of human dignity.

Beneath this overarching theme of human dignity are five other key moral principles that are discussed in the pastoral letter: a) the social nature of the human person; b) participation as a requirement for basic justice; c) the option for the poor; d) the protection of human rights; and e) the positive moral responsibility of government. I will say a brief word about each.

a. Social Nature of the Person

Catholic social teaching says that human dignity can be realized and protected only in community. The person is not only sacred, but also social. This truth today must be reinforced -- particularly in our culture and our time, when individualism is frequently taken to extremes. Our tradition recognizes the value of individuality, but it also insists

that we are all radically social. We require a social context in which to grow and develop fully. Therefore, the way we organize our society economically, politically, legally, and socially has a direct impact on human persons and their dignity.

Some have suggested that we in the Church should focus all of our attention on personal and family values and avoid the social issues. They would like us, for example, to do all in our power to preach sound personal and family values to the poor, but not to address the broad social and economic issues that are involved in the issues of poverty. This very limited approach is inadequate in our view, for we believe that values are important at all levels - - personal, familial, and social. The search for economic justice must be based on a respect for human dignity at each of these levels, since they are intimately intertwined.

b. The Right to Participate

Our concern for the social nature of the person leads us to put a great deal of emphasis on the themes of community and solidarity and on the need for all people to participate fully in decisions that affect their lives. The ultimate injustice is for a person or group to be treated as a non-member of the human community. This is what we describe as "marginalization" - - having no voice and no choice in the social, economic, and political structures of the society. The poverty of individuals, families, and communities is evil, therefore, not only because the material needs of people are not being adequately met, but also because they are prevented from fully participating in society as active and productive members. They are cut off from the mainstream of American life.

In this regard our pastoral letter offers a strong challenge, stating that basic justice demands the establishment of minimum levels of participation for all persons. Where people are unable to find work, even after searching for many months, or where they are thrown out of work by decisions they are powerless to influence, they are effectively marginalized. They are implicitly told by the community: "We don't need your talent, we

don't need your initiative, we don't need you." If society acquiesces in this situation when remedial steps could be taken, injustice is being done.

c. Option for the Poor

From the Scriptures and Church teaching, we learn that the justice of a society is tested by the treatment of the poor. That test is still valid in our own time and in our own nation. All of us are challenged to make a fundamental "option for the poor" -- to speak for the voiceless, to defend the defenseless, to assess lifestyles, policies, and social institutions in terms of their impact on the poor. This "option for the poor" does not mean pitting one group against another, but rather, strengthening the whole community by assisting those who are most vulnerable. We must respond to the needs of all our brothers and sisters, but those with the greatest needs require the greatest response.

d. Human Rights

We believe that every person has a right to at least a minimum level of material well-being. This basic right is made explicit by a set of specific economic rights -- for example, the right to adequate income, the right to employment, food, shelter, medical care, education, etc. These fundamental personal rights form a kind of baseline, a set of minimum conditions for economic justice. They form a bottom line for judging how well economic institutions are protecting human dignity and promoting social solidarity.

Our discussion of these economic rights takes place in a society that understands political rights but questions the very idea of economic rights. Therefore, we call for the formation of a new cultural consensus that all persons really do have rights in the economic sphere and that society has a moral obligation to take the necessary steps to ensure that no one among us is hungry, homeless, unemployed, or otherwise denied what is necessary to live with dignity.

e. The Responsibility of Government

Society as a whole, acting through public and private institutions, has the moral responsibility to promote human dignity and protect human rights. In addition to the clear responsibility of private institutions, government has an essential responsibility in this area. It has a positive moral responsibility to safeguard human rights, to promote the common good, and to ensure that the minimum conditions of human dignity are met for all. There are, of course, limits on the role of government. Catholic teaching opposes collectivist or statist economic approaches. But it also rejects the notion that a free market automatically produces justice. Between these extremes, there is a positive, constructive role for government.

In a democracy such as ours, government is the instrument of our common purpose. It is the means by which we act together to protect what is important to us and to promote our common values. It saddens me, therefore, to witness to current trends toward ridiculing and downgrading the role of government. It is all too easy to harp on the mistakes and abuses of our public institutions and to conclude that less government is inherently better.

I fear that this can only lead to a weakening of our ability to deal with the complex social problems that face our society. Certainly, we must scrutinize our policies and our governmental institutions in order to avoid abuses and inefficiencies. But this should not be used as an excuse for abandoning the legitimate and essential role of government in our society. We must learn from history by avoiding past mistakes and building on past success, e.g. In this way we can renew the nation's confidence and dedication to use the government as a positive instrument for achieving the common good.

- - - - - - - - - - - -

These moral principles are not the only ones presented in the pastoral letter, but they give an overview of the moral vision that we are trying to share. In addition to these principles, our letter also reaffirms traditional Church teaching on the dignity of work and the rights and responsibilities of workers. For example, we state that all workers have a right to collective bargaining, and we explicitly oppose organized efforts, such as those now seen in some parts of our country, to break existing unions and prevent workers from organizing. We also emphasize that workers and unions have responsibilities corresponding to their rights. Workers have obligations to their employers and unions have responsibilities to work for the common good of the whole society.

Our letter also discusses the rights and duties of owners and managers. Our tradition has long defended the right to private ownership of productive property. This right enlarges the capacity of individuals to exercise creativity and initiative. Furthermore, widespread distribution of property can help avoid excessive concentration of economic and political power. For these reasons ownership should be made possible for a broad sector of our population. However, as with other rights, the right to private property is not unlimited. Individuals do not have the right to unlimited accumulation of wealth. In this regard we quote Pope Paul VI:

> Private property does not constitute for anyone an absolute or unconditioned right. No one is justified in keeping for one's exclusive use what he/she does not need, when others lack necessities." (On the Development of Peoples, 1967)

Policy Implications

The moral vision that we present in our pastoral letter cannot exist in a vacuum; it must be translated into concrete measures. Therefore, our letter spells out some specific applications of the moral principles. As bishops, we do not claim to make these policy applications with the same kind of authority that marks our declarations of principle. We are moral teachers, not economists or public officials. Nevertheless, we believe that the ethical principles from our tradition cannot be left at the level of appealing generalities.

Therefore, we select four issues for specific treatment in our letter. These are: employment, poverty, food and agriculture, and international concerns.

Employment

On the question of employment we say that the most urgent priority for domestic economic policy is the creation of new jobs with adequate pay and decent working conditions. We must make it possible as a nation for everyone who is seeking a job to find employment within a reasonable amount of time.

We give particular emphasis to this goal because of our belief that human work has a very special dignity. Employment is a basic right, a right which protects the freedom of all to participate in the economic life of society. The importance of this right is evident in the fact that for most people employment is crucial to self-realization and essential to the fulfillment of material needs. Full employment, therefore, is the very foundation of a just economy.

As pastors we have seen the tragic human and social costs that result from high unemployment. Our nation simply cannot afford to have millions of able-bodied men and women unemployed. We cannot afford the economic costs, the social dislocation, and the enormous human suffering caused by unemployment. In the end, however, what we can least afford is the assault on human dignity that occurs when millions are left without adequate employment.

We believe that the current level of unemployment - - about 7% - - is neither inevitable nor acceptable. Appropriate policies and concerted private and public action can improve the situation considerably, if we have the will to do so. Expanding employment in our nation will require significant steps in both the private and public sectors, as well as joint action between them. A large part of the solution will be with private firms and small businesses. At the same time, it must be recognized that government has a prominent and indispensable role to play in addressing this problem. The market alone will not automatically produce full employment. Therefore, the government must act to ensure that this goal is achieved by coordinating fiscal and monetary policies and by job training and job creation programs.

In our letter we recommend the expansion of job training and apprenticeship programs in the private sector administered and supported jointly by business, labor unions, and government. We also urge increased support for direct job creation programs in the public sector that are targeted on the long-term unemployed and those with special needs.

In addition to these immediate policy goals we believe there is a need for careful examination and experimentation with alternative approaches that might improve both the quantity and quality of jobs. More extensive use of job sharing, flex time, and a reduced work week are among the topics that should continue to be on the agenda of public discussion. Consideration should also be given to the possibility of limiting or abolishing compulsory overtime work, and methods should be examined to discourage the overuse of part-time workers, most of whom do not receive fringe benefits.

These are among the avenues that need to be explored in the search for just employment policies. A belief in the inherent dignity of human work and in the right to employment should motivate people in all sectors of society to carry on that search in new and creative ways.

Poverty

On the subject of poverty we point out that more than 33 million Americans -- about one in every seven persons in our nation -- are poor by official standards. The fact that so many are poor in a nation as wealthy as ours is a social and moral scandal.

One of the most distressing facts about poverty is that it affects children most severely. One statistic, in particular, bears repeating -- the fact that one in every four children under the age of six is poor and one in every two black children under six is poor. Surely, these stark facts must evoke a sense of urgency for reducing the levels of poverty in our midst.

Our letter recognizes that poverty is a complex problem. No simple or simplistic solutions will work. However, we propose several elements which we believe are necessary for a national strategy to deal with the problem. For example, we say that the first line of attack against poverty must be to build and sustain a healthy economy that provides employment opportunities at just wages for all adults who are able to work. We urge Congress to raise the minimum wage and thereby reduce the number of people who work full-time and yet remain below the poverty line.

We also call for vigorous action to remove barriers to full and equal employment for women and minorities. We say that self-help efforts among the poor should be fostered by programs and policies in both the private and public sectors. We call for a stronger commitment to education for the poor, and we urge that policies and programs at all levels support and strengthen family life. Finally, we suggest that a thorough reform of the nation's welfare and income support programs should be undertaken. Among the immediate improvements that could be made in the welfare system are the following:

- Programs should be designed to assist recipients to become self-sufficient through gainful employment.
- Welfare programs should provide more adequate levels of support. At present

only about four percent of poor families with children receive enough cash welfare benefits to lift them out of poverty.

- National eligibility standards and a national minimum benefit level for public assistance programs should be established.
- Welfare programs should be made available to two-parent as well as single-parent families.

In addition to these short-term reform measures, the agenda for public debate should also include serious discussion of more fundamental alternatives to the existing welfare system. In our letter we urge that proposals for a family allowance or a children's allowance be carefully examined as a possible vehicle for ensuring a floor of income support for all children and their families. Special attention is also needed to develop new efforts that are targeted on long-term poverty, which has proven to be least responsive to traditional social welfare programs. These and other proposals should be part of an ongoing effort to fashion a system of income support for the poor that protects their basic dignity and provides the necessary assistance in a just and effective manner.

As part of our discussion of poverty, we note in the pastoral letter that the gap between the rich and poor has increased significantly during the last decade. The statistics show that our economy is marked by very uneven distribution of wealth and income.

I commend the Joint Economic Committee for the excellent reports and studies that you have issued in recent years on the issues of income and wealth distribution. For example, a report published in July of this year by your Committee indicated that the top half of one percent of U. S. families own more than 35 percent of the net wealth in the nation. They also own 58 percent of unincorporated businesses in the U. S., and they hold 77percent of the value of trusts and 62 percent of state and local bonds. On average, the net assets of these households is $8.9 million.

This same report indicates that "the distribution of wealth among American families changed remarkably during the twenty years between 1963 and 1983. In that period the wealthiest one-half of one percent increased their share of wealth - - holding by 38 percent. At the same time the share of national wealth held by the lower 90 percent of American families declined by about 20 percent.

These extreme inequalities should be of particular concern because they reflect the uneven distribution of power in our society. In our pastoral letter, we point our that Catholic social teaching does not require absolute equality of income and wealth. Some degree of inequality not only is acceptable, but maybe considered desirable for economic and social reasons, such as the need for incentives and the provision of greater rewards for greater risks. However, the moral norms from our tradition establish a strong presumption against extreme inequality as long as there are poor, hungry, and homeless people in our midst. Such extreme inequalities are detrimental to the development of social solidarity and to the provision of the basic needs of the poor.

Food and Agriculture

In discussing the issues of food and agriculture, our pastoral letter focuses on two areas of concern - - the growing number of farm bankruptcies and foreclosures that are resulting in an increased concentration of land ownership, and the increasing damage that is being done to the nation's natural resources as a result of modern agricultural practices. Clearly, these trends are not in the best interest of the agricultural sector of the economy as a whole. As thousands of farm families caught in the present crisis lose their homes, their land, and their way of life, we cannot remain silent.

While much of the change needed to address these problems must come from the cooperative efforts of farmers themselves, we believe there is an important role for public policy in the protection of dispersed ownership of farms, as well as in the preservation of natural resources.

We suggest three general guidelines for both public policy and private efforts aimed at shaping the future of American agriculture:

- Moderate-sized farms operated by families on a full-time basis should be preserved, for there is a genuine social and economic value in maintaining a wide distribution in the ownership of productive property. Present federal farm programs, whose benefits now go disproportionately to farmers with large farms, should be reassessed.
- The opportunity to engage in farming should be protected as a valuable form of work. Losing any job is painful, but losing one's farm and having to leave the land can be tragic.
- Effective stewardship of our natural resources should be a central consideration in U. S. agricultural policies. For example, the government should provide incentives to promote soil and water conservation.

International Economic Concerns

Our pastoral letter recognizes the complex array of issues that are part of the international economic arena. Within that larger set of issues, we focus our attention on U. S. relations with the Third World. Our moral principles take on a new sense of urgency when we examine the harsh facts of global poverty:

- Half the world's people, nearly 2-1/2 billion, live in countries where the annual per capita income is $400 or less.
- At least 800 million people in those countries live in absolute poverty, beneath any rational definition of human decency.
- Nearly half a billion people are chronically hungry, despite abundant harvests worldwide.
- Fifteen out of every 100 children born in those countries die before the age of five, and millions of the survivors are physically or mentally stunted.

Faced with this stark reality, we believe that the preferential option for the poor should be used by decision-makers as a central priority for policy choice. Standard foreign policy analysis deals with calculation of power and definition of national interest; but the poor are, by definition, not powerful. If we are to give appropriate weight to their concern and needs, we have to go beyond economic gain or national security as a starting point for policy dialogue.

In recent years, U. S. policy toward development in the Third World has increasingly become one of selective assistance based on an East-West assessment of North-South problems. This has frequently occurred at the expense of basic human needs and economic development. This tendency must be resisted.

Among the many issues that affect the Third World, we give particular attention to the debt crisis. The aggregate external debt of the developing countries now approaches $1 trillion, more than one-third of their combined Gross National Product. This total doubled between 1979 and 1984 and continues to rise. This crisis is more than a problem of international finance. It affects people. It affects and oppresses large numbers of people who are already severely disadvantaged. It is urgent, therefore, that ways be found to meet the immediate emergency -- moratorium on payments, conversion of some dollar-denominated debt into local currency debt, creditors accepting a share of the burden by partially writing down selected loans, capitalizing interest, or perhaps outright cancellation.

In the end, the United States cannot be the sole savior of the developing world. Nevertheless, the pervasive U. S. presence in many parts of our interdependent world creates a responsibility for us to increase the use of U. S. economic power in the service of human dignity and human rights, both political and economic.

In addition to the specific policy issues addressed in the letter, we also suggest that a long-term and more fundamental response is needed. In a chapter entitled, "A New American Experiment," we call for an imaginative vision of the future that can help shape economic arrangements in creative new ways. The New American Experiment we hope for

should be one that implements economic rights, broadens the sharing of economic power, and makes economic decisions more accountable to the common good. This experiment, we believe, should aim to create new structures of economic partnership and participation within firms, at the regional level, for the whole nation, and even across national boundaries.

These few specific issues I have highlighted are among those addressed in the pastoral letter. I mention them here not as a summary of the letter, but as examples of the way in which we try to use moral principles to help shape economic decisions and policies.

In the end, it is our hope that by shaping the questions in this way we will be able to make some modest contribution to the achievement of a more just economy, an economy that serves all the people.

Thank you very much for your attention.

Representative OBEY. Thank you.

Before I call the next witness for his comments, I'd like to ask you just a couple questions.

In the welfare reform area, you call for a national attack on the problem. Why do you choose that route of a National rather than a State response to the problem? And could I also ask you, along with that, on welfare, why is it that the bishops feel that it is important that we provide the assistance you mentioned to two-parent families rather than just one parent families?

Archbishop WEAKLAND. First of all, we feel that the problem will not be solved if we just permit it to be as it is now on a State level. Because of the discrepancies between States—we cite, for example, in the letter, the discrepancies between Vermont and Mississippi. We feel that as long as there are these enormous discrepancies between States, we are going to have people then moving from State to State, always shopping to get better benefits, and also because it doesn't really solve the problem if one State is so far below what is even normal for human dignity. We just don't feel that the problem can be solved by leaving it up to States.

Second, we are very concerned about the stability of family life. And I have to say, not just among the poor, because the poor get their examples from the rest of society. And so you just don't do something to strengthen family among poor, without having to strengthen those bonds on all levels.

There are some States where welfare is set up in such a way that if there are two parents in a household, then, of course, the welfare benefits do not come, and we feel that could be very injurious to family structure and family life.

Representative OBEY. Let me ask for a couple of other comments, because, as you know, a number of people, including people like Bill Simon and Michael Novak and others have raised some—as fellow Catholics—questions about some of the judgments that you reach in your letter. And I am, frankly, not sure where to start, because they raised so many points.

They make a point of suggesting at one point in a critique of theirs that I have seen, that the bishops appeared not to quote Catholic social teachings accurately, because the bishops seem to talk about, at least in their eyes, an entitlement to the basic necessities of life without sufficient reference to the need to work for those entitlements. But doesn't your letter, in fact, specifically mention the need for all able-bodied people to work, in order to earn their bread?

Archbishop WEAKLAND. I don't know where they obtained that kind of thought, because our document is one for participation. We want people to work, and we expect people to work and to use their talents, so that they can be truly who they could be. So I am not sure how they could read into the document the idea that it talks only about entitlements and not about the need to work and to grow and to "participate." That word that we use over and over again.

Representative OBEY. You also say in your letter that demographics cannot fully explain the higher levels of unemployment in the society. I certainly think that's true, and I think it applies to poverty as well. This committee, just yesterday, issued a report on

poverty, which is somewhat at variance, I think, with the popular view of where poverty has come from in recent years, at least.

We've talked an awful lot over the past 10 or 15 years about the breakup of the traditional American family and the disintegration of the family as an economic unit, as well as a social unit with poverty being caused significantly because families are headed by one parent rather than two. But the study done by the staff of this committee indicated that a larger number of persons have gone into poverty in the last 6 years, who were living in two-parent families rather than single-parent families.

So I think that illustrates the correctness of your position on that point.

I would also say—putting on my other hat for a moment, as chairman of the Foreign Operations Subcommittee, that your assessment of what happens, in terms of our international aid, our foreign assistance, is certainly correct. There is no question that the vast majority, well over two-thirds, in my judgment, of foreign aid, is provided, not on the basis of any intent to directly increase economic well-being around the world, but is provided either for military purposes directly or to countries who are seen as having a military or strategic or political value to the United States. And I think that is regrettable. I wish I thought within the context of our existing budget situation that something could be done about that, but I think it is going to take a lot longer than either of us would like to see before that changes.

I have a number of questions, which I prefer to save for the other panel. I am happy to hear that you think that you see more charity in this Christmas season than before.

I have seen a lot of that. I certainly hope that's true. I can't help but observing there is one shopping center in this town, which earlier in the Christmas season decided that they were not going to allow the Salvation Army to be present ringing their bells, because they felt it was an irritant to the shoppers in the mall. And I am happy to see that the Salvation Army people are now again present. However, I find it ironic that they are still not allowed to ring their bells. [Laughter.]

They can stand there with the sign alerting people. Evidently, it is all right, in the eyes of the people who manage that shopping center to have a visual but not a very loud or noisy reminder of the presence of the poor among us.

Let me ask you one other question. You indicated that you were a poor kid. You grew up on welfare. My family wasn't on welfare, but I can remember the embarrassment Christmas Eve, when my mother's best friend brought $100 worth of groceries over, because we needed them badly. And I can remember being too embarrassed to come out of the bedroom and thank them, because it was an excruciating personal position to be in.

And as I analyze it, I don't think that my mother needed to be on welfare. I don't think my mother needed to get a welfare check. I think what she did need was some advice on how to manage money. I think she needed some advice and some assistance, in terms of training. She was one of those who was working but was still among the working poor. And so you could slowly see all assets drain away. What do the bishops think is most important in

terms of dealing with that kind of family, with that kind of working situation?

Archbishop WEAKLAND. We do feel that the incentives should be added so that when someone is able to work that they are able also to keep their earnings at the same time while they are receiving portions of welfare, so that there is an incentive to get out of the welfare.

You cited your mother. My father was dead. My mother started to teach school again at a Catholic school. One of the sisters had a heart attack. But the pastor could not pay her. Otherwise, she would lose the welfare. And he cheated. He did something illegal. We would find food on our back porch every night.

So he paid in kind, if you will, although that was not acceptable, but the idea being that you cannot work unless you lose the welfare. It was a very difficult moment in terms of incentive to move ahead.

We feel that those things can be built into the system to make it worthwhile then for people to work and to get off welfare at the same time.

Representative OBEY. One other question. Mr. Simon and Mr. Novak and others in one paper I read indicated that they felt that the bishops did not give sufficient attention to the need to reward entrepreneurship in this society and that it isn't enough just to wish for income transfers but that you need to recognize that without entrepreneurship you aren't going to have the economy as a whole growing and you aren't going to be providing opportunity for people all along the economic scale.

What would your response be to that kind of criticism?

Archbishop WEAKLAND. I find this to be—and I will say it—simply un-American, that it is kind of an elitist concept that certain people are able to handle money, therefore they are wealthy and the rest are not and you have to increase that wealth of those elite so that the money gets back into the system again. I find that is very unconvincing.

We have some economists who tell us that just as you need a minimum wage perhaps we need also a maximum wage; that is, there are really some who are so much better than others as to deserve the kind of incomes that they receive, and at times I would say that this can become a moral scandal.

When you find certain entrepreneurs taking enormous bonuses and salaries while at the same time others are being let go at work, this creates a kind of morale problem which is serious in the Nation.

So I would hope that we haven't reached that stage of greed in our society where one has to imitate the Marcoses, for example, in order to work, in order to take any kind of risk.

I find that to be very disturbing.

Representative OBEY. But doesn't your letter itself specifically make reference to the need in an economy for a healthy, spirited entrepreneurship?

Archbishop WEAKLAND. We talk about entrepreneurship. We say yes to that. We say yes to inequality of income and wealth. We expect that that is a natural in society. But when the gap gets to be too big, then we see this as a danger point.

Representative OBEY. Okay, just one final comment on the question of workers owning a piece of the action.

I see that you are in the company of such well-known radicals in this town as Russell Long [laughter] who has been pushing that for a number of years. That is one of his major propositions.

I do have a number of other questions. I would like to submit some written questions to you if I could, so that you could respond to them and we could get to the other participants in the hearing for today.

I do very much appreciate your coming.

Archbishop WEAKLAND. Thank you very much, sir.

Representative OBEY. Next, could I ask Father David Hollenbach, Weston School of Theology, to appear?

Why don't you proceed to give us your comments.

STATEMENT OF FATHER DAVID HOLLENBACH, S.J., PROFESSOR OF MORAL THEOLOGY, WESTON SCHOOL OF THEOLOGY

Father HOLLENBACH. Thank you, Mr. Chairman. It is a great pleasure to be here.

I have a prepared statement here which I will submit to your staff for the record. I will summarize some of the highlights of my remarks that are concerned with the relationship between ethical perspectives, empirical analysis, and economic policies.

The question that is clearly of central concern in the context of the work of this committee as it considers the bishops' pastoral letter has been frequently voiced in public debate; namely, why would religious leaders become involved, moving on to economic terrain that in the view of many has little or nothing to do with questions of religion?

Another way of putting this is how do the normative questions about value and human purpose and ultimate meaning—how do these questions relate to the hard facts and the hard data of economic analysis and economic policy?

In order to address that question, let me quickly summarize what I see as the three pillars on which the moral argument of the U.S. bishops about economic policy rests.

The first is that the dignity of the human person, human dignity and human sacredness, is the criterion against which every economic decision, every economic policy, and every economic institution must be measured.

Second, that worth of the human person can be realized and protected only in community. We can't go it alone. Therefore, as Archbishop Weakland has just remarked, all persons have a right to be actively engaged in the economic life of society. This means that economic policies need to be evaluated in light of how they include people in our economic life in this nation or how they may leave them behind or even—more tragically—exclude them through forms of discrimination, for example.

And the third pillar on which the moral argument of the letter about economic policy rests is the obligation that all members of society have toward the poor and the vulnerable.

Indeed, the bishops' document states that the most fundamental meaning of justice in our economic life is that all persons have to

be treated as members of the human community, or, to put it negatively, the most fundamental injustice that could happen in our economic life is for persons or groups to be actively excluded or passively abandoned as if they were nonmembers of the human community.

Now, these three basic perspectives—human dignity, life in community, and special responsibilities toward the poor and the vulnerable and the marginalized—they don't yield concrete economic policies.

The move from moral principle to policy has to be mediated by careful empirical analysis of the situation in which we live. It has to be based on a careful study of the causes of the problems we face, and it has to be based on a realistic and prudent assessment of what the consequences of policies that we might adopt would actually be.

We have to attend to the possibility of unintended side effects from policies that have good motives, and so forth.

So, as I said, these three moral principles that I have just stated don't give us concrete policies. They do, however, provide a distinctive point of entry into the policy argument. They provide an angle of vision on economic policy debates that cause certain aspects of our economic life to come forth into the light in a way that might not occur if that fundamental moral vision were not in place.

These three principles of a moral nature that I have enunciated make the bishops particularly attentive to the human costs of our economic life, to the human costs for the poor and the vulnerable. They make them particularly attentive to certain aspects of our economic life that others might too quickly regard as tolerable or perhaps that they might even overlook.

So what I am suggesting here is that the bishops' letter does not proceed from moral high ground and then simply deduce the way the world ought to work. Rather it brings a perspective that comes from moral and religious vision into the public discussion in a way that highlights certain aspects of the discussion that really ought to be emphasized.

Let me give you two examples of how that relation between moral vision and empirical analysis informs the bishops' letter in the area of unemployment and in the area of social welfare policy.

It is very clear that in the current discussion about employment the definition of full employment is disputed among economists. Some believe that the level of unemployment that we should regard as acceptable is a strict function of our inflation rate.

Their argument is that we should tolerate or regard as acceptable that level of unemployment needed to keep the inflation rate constant or nonaccelerating. Now, the number that should be assigned to that level of unemployment is itself in dispute.

But more important to the bishops is the fact that the definition of what is acceptable here depends on an assessment of the relative impact of unemployment and inflation on the dignity of human persons. That is a moral judgment that has to be made about what the human consequences of an x rate of inflation and a y rate of unemployment might be. What the costs are in human terms is not simply an empirical question, and therefore the bishops' attempt to

bring their moral perspective to bear on this debate about policy regarding unemployment and its relation to inflation.

In addition, however, the experience of the 1970's, where we had a simultaneous increase in unemployment and inflation, may raise the question about whether the tradeoff between unemployment and inflation is an absolutely iron law.

There are other factors, it seems involved in the fluctuation of unemployment in relation to inflation than a simple inverse relation may suggest. Other institutional factors such as oil prices are involved.

This suggests that there may well be a mix of macroeconomic fiscal and monetary policies with other more targeted job generation programs that could assist the country in achieving a lower unemployment rate without unacceptable inflation.

And the concern that the bishops have for the human costs of unemployment put them on the lookout for what such a mix might look like. Their policy recommendations flow from attending to the mix of policies that could help us achieve a lower unemployment rate without unacceptable inflation.

They acknowledge that the policy recommendations they make can be debated by people of good will, but they do maintain that there should be a way of proceeding that will bring down that 7 percent rate that is so humanly costly.

Let me conclude by a remark or two about the way the moral concerns and empirical concerns intersect in the debate about social welfare policies. The bishops are very well aware of the human costs of poverty. They know the pain that it involves. They are also aware that today it is currently fashionable to argue that the welfare system itself is in some sense a cause of poverty or dependency on welfare assistance.

They, through their own pastoral experiences, had reason to question such a generalization. They also turned to the careful analytic argument of other social scientists who indicate, as you have indicated in your own remarks, that the increase in poverty and the rise of those on welfare is not necessarily the result of an increasing dependent underclass with many people on welfare over a long term.

On an empirical basis it seems that the vast majority of the people receiving welfare receive it for relatively brief periods of time, that it is a response to an emergency caused by illness, loss of a job, breakup of a marriage. Welfare for the vast majority of its recipients is not an addictive fix on which they become permanently dependent.

Now, this issue of who receives welfare involves an empirical question. The bishops' basic normative framework, which grants priority to meeting the basic needs of the poor, has led them to analyze that empirical data and to present empirical arguments in their letter, not simply moral ones.

They believe that their empirical arguments will stand up to public scrutiny. For example, they argue that it is widely but erroneously believed that many people stay on welfare for many years, do not work, could work if they wanted to, and have children on welfare. They maintain that it is simply not true that the welfare

rolls are filled by an overwhelming number of able-bodied adults who could work but won't.

The jobs are simply not there. Many of these people on welfare have responsibilities toward the care of children, are disabled, or are on welfare for many other causes. So the bishops try to dislodge some of the stereotypes that we have about who the poor are and, in so doing, open up a more fruitful avenue for the consideration of policy.

These two examples are simply an indication of the way in which the bishops' letter attempts to blend normative perspectives with empirical arguments.

In short, I would say they maintain that there is no such thing as a purely moral argument about policy, but neither is there any such thing as a purely empirical argument about policy.

Every policy argument or every discussion about the appropriate mix of policies inevitably involves certain normative concerns as well as empirical ones. Part of the task that this letter has pursued is that of raising both normative and factual issues in the dialog with each other. Thus the bishops hope to open up the path toward more creative policymaking in our country in the economic sphere.

Thank you very much.

[The prepared statement of Father Hollenbach follows:]

PREPARED STATEMENT OF FATHER DAVID HOLLENBACH

I testify today on behalf of the United States Catholic Conference, the public policy agency of the Catholic Bishops of the United States. I have served as a consultant to the Bishops Conference as they drafted their pastoral letter Economic Justice for All: Catholic Social Teaching and the U.S. Economy. I want to thank the Committee for this opportunity to help explain why the bishops have written this lengthy letter and why they believe it can make a significant contribution to the debate about the economic policies of the United States.

A question of central concern to this committee as it considers the cogency of the letter's policy recommendations has frequently been voiced in the wider public debate: Why are religious leaders venturing onto terrain that many believe has little to do with religious matters? The question can be put this way: How do normative questions of value, human purpose, and ultimate meaning intersect with the hard data of empirical economic analysis? How do moral perspectives shed light on the hard choices and trade-offs that economic policy must face in our less-than-perfect world? Have the bishops fallen into the trap of drawing conclusions about economic policy on the basis of the way they would like the world to work, rather than on the basis of how it actually does work?

In order to address these questions I will first summarize

the key elements in the bishops' ethical perspective and then indicate several examples of how these perspectives inform their policy recommendations.

The ethical framework of the pastoral letter has been shaped by the rich resources of the Christian faith and Catholic tradition. In line with the Roman Catholic conviction that Christian faith and reasoned reflection on human experience are complementary, not contradictory, the pastoral letter addresses its ethical arguments both to Roman Catholics and to the public at large. The structure of this argument rests on three pillars:

> *The dignity of the human person is the criterion against which every economic decision, policy, and institution must be measured.
>
> *Because human dignity can be realized and protected only in community, all people have a right to participate in the economic life of society. Thus economic policies must be evaluated in light of the ways they include or exclude people from sharing in the economic life of the nation.
>
> *All members of society have a special obligation to the poor and the vulnerable. Indeed the most fundamental test for the justice or injustice of economic choices and policies is the impact they have on the poor.

These three perspectives shape the moral vision of the entire pastoral letter. They do not lead directly to conclusions about policy. The move from moral principle to economic policy must be mediated by careful empirical analysis of the economic situation, by a sustained effort to understand the causes of problems that threaten human dignity, and by prudent efforts to

assess the real consequences of policy steps designed to remedy these problems. These basic moral perspectives do, however, provide a distinctive point of entry into the empirical discussion about the causes and cures of threats to human dignity in the economic sphere. They provide a distinctive angle of vision for the assessment of empirical and causal arguments about appropriate policy steps. This angle of vision makes the bishops particularly attentive to human costs that other perspectives on policy might regard as tolerable or even overlook.

Thus the pastoral letter acknowledges that there can be no purely moral approach to economic policy. But it also insists that there can be no purely empirical assessment. Both normative and empirical questions are implicit in every policy recommendation. The pastoral letter seeks to make this explicit and to urge directions for policy that are morally just and empirically defensible.

During the five years the drafting committee was at work on the letter, the members were exposed to a broad range of opinion on the economic policy issues they had chosen to address. The bishops were fully informed--often vigorously so--of the hardest questions that policy-makers face. Let me give several examples of how they relate their basic normative perspective to these policy arguments.

Regarding unemployment, the bishops are well aware that the definition of "full employment" is disputed among economists today. Some believe that the acceptable level of unemployment is

a variable strictly dependent on holding the inflation rate constant. The so-called "natural rate" of unemployment is defined as that rate needed to maintain a non-accelerating inflation rate. The number that should be assigned to this rate is itself in dispute. More important for the bishops, however, was the question of whether this is in fact the proper definition of the "acceptable" level. Answering this question calls for a moral judgment about the relative seriousness of the impacts unemployment and inflation each have on human dignity and well-being.

In addition, the simultaneous rise of both unemployment and inflation during the 1970's suggests that the empirical generalization about the inverse relation between unemployment and inflation is not an iron law. This implies that there may well be an appropriate mix of general macro-economic policies with more targeted job-generation policies that can lower the unemployment rate without causing unacceptable inflation.[1] A moral concern with the devastating effects of unemployment on individuals, families, and whole communities predisposed the bishops to seek to identify what such a mix of policies might look like. While they recognize that people of good will can legitimately differ with the conclusions they have drawn, they

---

[1] See, for example, Lawrence Klein, "Reducing Unemployment without Inflation," and James Tobin, "Unemployment, Poverty and Economic Policy," testimony before the Subcommittee on Economic Stabilization of the U.S. House of Representatives, Committee on Banking, Finance and Urban Affairs, March 19, 1985, Serial No. 99-5 (Washington, D.C.: Government Printing Office, 1985), 15-18 and 31-33.

set forward a forceful critique of the seven percent unemployment rate the country seems to be comfortable with. They also recommend concrete steps that can help us do better. These conclusions are of a simultaneously moral and empirical character.

The same attention to current empirical disputes was present in the drafting of the letter's recommendations regarding welfare policy. As pastors, the bishops know full well the terrible price that poverty exacts from so many millions of men, women, and children in our society. The also know the costs of family breakdown, out-of-wedlock pregnancy, and loss of hope for finding a job. But in drafting the pastoral letter they did have to examine the causes of these problems.

It is currently fashionable to argue that the welfare system itself is a major cause of poverty and dependency on welfare assistance. But the bishops had grounds from their own pastoral experience to question such empirical generalizations and the policy conclusions that are drawn from them. In addition other social scientists analyze the data on the causes and cures of poverty in a very different fashion. For example, one of the studies on which the bishops have relied indicates that the vast majority of those on welfare in the United States receive benefits for relatively short periods of time.[2] For these people

---

[2]Greg J. Duncan, Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families (Ann Arbor, MI: Survey Research Center, Institute for Social Research,

welfare is an emergency measure needed to deal with a crisis such as the loss of a job, illness, or the breakdown of a marriage. It is not an addictive fix on which the vast majority of welfare recipients become permanently dependent.

This is an empirical issue that must be clarified through empirical research. At the same time it reveals how tightly interwoven empirical, ethical, and policy considerations in fact always are. The bishops' normative framework grants special priority to meeting the basic needs of the poor, and to enabling the marginalized to become active participants in economic life through work with adequate pay and decent working conditions. Through empirical argument that they believe will stand up in public debate, the bishops challenge some of the stereotypes of the poor in the United States. It is widely, but erroneously, believed that most of these people stay on welfare for many years, do not work, could work if they wanted to, and have children who will be on welfare. It is simply not true that the welfare rolls are filled with able-bodied adults who could but will not work. Solid research has consistently demonstrated that poor people have the same strong desire to work as the rest of the population.[3] By challenging false empirical generalizations, the pastoral letter seeks to open the way for more fruitful

---

The University of Michigan, 1984).

[3]See Center on Social Welfare and Law, Beyond the Myths: The Families Helped by the AFDC Program (New York, 1985); Leonard Goodwin, Causes and Cures of Welfare (Lexington, MA: Lexington Books, 1983), chapter 1.

approaches to policy formation. The bishops' recommendations regarding poverty and welfare, therefore, are also simultaneously moral and empirically based.

These two examples are only an indication of the method the pastoral letter employs to relate moral and empirical analysis in formulating directions for policy. They also indicate that the pastoral letter does not present a detailed blueprint for economic policy, much less a legislative program. The letter does, however, demonstrate that concern for the dignity of every person has crucial implications for the policy debate. It also seeks to influence this debate by suggesting what these implications are in several selected areas of our economic life.

Representative OBEY. Thank you.

Let me ask you just a couple of questions before we turn to the panel.

Father HOLLENBACH. Sure.

Representative OBEY. You have indicated that the bishops have made it clear that people of good will can disagree with specific policy formulations——

Father HOLLENBACH. Yes.

Representative OBEY [continuing]. That were offered up by the bishops.

Is it fair to say that the bishops' goal in issuing this letter and is it fair to say that the efforts to disseminate this letter will be focused on the need to change the context and the thrust of the debate on these issues so that you have human considerations being given greater weight than they have been given in recent years, or are the bishops more interested in promoting support for some of the specific options that you toss up as being among those that ought to be considered?

Father HOLLENBACH. Well, the letter is addressed, basically, to two different audiences, two different but overlapping audiences. One audience is the membership of the Roman Catholic Church in the United States. And there, what the bishops are, I think, attempting to do, principally, is to help Roman Catholics in this country recognize that the core beliefs of their faith and the core values of their religion have extremely important implications for their life in society, for their life on the job, for the way they think about policy, the way they participate in the political process.

So they are attempting, in other words, to show their church members why these religious and moral values are not relevant simply to their personal relationships or family life but also to the larger fabric of our public life. The bishops are primarily interested in getting these fundamental moral and religious concerns really grappled with in a very serious and deep way and in having their church members ask, what does all this mean about our life as a nation and how I should be thinking about that life?

Second, however, they also address the larger public. The bishops are citizens and are attempting to join their voice with the formation of public opinion at large. There, again, I think their main contribution is to bring these fundamental moral values into the debate, values which, although rooted in Catholic tradition, they believe are also reasonable and intelligible to persons who do not share their tradition.

They want to bring these moral values more into the mix of our public economic debate.

Now in order to do that in a way that is not purely abstract, it is necessary that they show some of the implications for concrete policy, and so they have given several examples of what they believe the policy implications of those moral values might be.

They recognize that when you get into the details of policy, you're dealing with those empirical questions that I mentioned that involves facts that could change, and situations that evolve historically. And so a particular policy conclusion doesn't have, if you will, some kind of eternal certainty to it. A conviction about the dignity of human persons, however, the bishops would say is a God-

given conviction that isn't going to change next year, although our policy judgments about the best mix for achieving full employment might have to evolve from year to year. But they give these examples as ways of illustrating that it's possible to bring those religious and moral concerns into fruitful interaction with policy.

Representative OBEY. Okay. Let me give you two specifics.

Father HOLLENBACH. Sure.

Representative OBEY. They are two items upon which I happen to agree with the bishops. One, their discussion about—an example, a family of three today.

Father HOLLENBACH. A family of three?

Representative OBEY. A family of three. One worker in the family. Today, if they work at the minimum wage, given that they work a 40-hour week, that family is still probably going to be 15 or 20 percent below the poverty level. In 1979, if you had that same family, and the worker was working at the minimum wage, it would be at or just slightly under the poverty line. So you had a 15- to 20-percent sag in the comparative purchasing power of the family.

Father HOLLENBACH. Yes.

Representative OBEY. So I agree with the bishops' suggestion that we ought to look at adjusting the minimum wage. I also agree that we ought to look at covering people who don't have health insurance, with some mechanism to do so.

And I agree we ought to get the unemployment level down somewhat lower than it is now, as I don't think that 7 percent is necessarily full employment.

What do you say to people who legitimately in their guts say, we think you're nuts? We think that if you take that unemployment level down to 5 percent, you're going to have more inflation. What do you say to people who say, we absolutely passionately believe that if you are going to cover every person who is out of work with health insurance, you are going to take away the incentive to go back and find work, and we think that if you raise the minimum wage without providing the youth incentive, that you're really going to wind up hurting people more than you help them?

I don't happen to agree with any of those arguments, but what do you say to a person who passionately feels that his position is moral, even though he is disagreeing with you on those three points?

Father HOLLENBACH. I would say, what we need to do then is really sit down and start talking hard numbers and really trying to analyze what, in fact, would be the impact of a submininum wage, for example, or of, what, in fact, would be the genuine social costs or consequences of raising the minimum wage. We have to talk there very carefully about the real world consequences of those steps.

That is why I said one can't make a pure moral argument about a policy like that. One needs to get into an analysis of what would happen, if one raised the minimum wage or if one adopted the subminimum wage, to use those among a number of questions you threw at me, as one case.

Let me suggest that there are good reasons to believe—and that is why this letter is pretty thickly larded with empirical refer-

ences—that a case can be made that the adoption of a subminimum wage would not simply stimulate young, unemployed blacks to move into these jobs. It may have significant displacement effects on others who are already breadwinners for a family. And we have to look carefully at the consequences like that.

The argument against raising the minimum wage goes all the way back to when the first minimum wage law was put in. I mean, the arguments have always been that if you put in the minimum wage, you are going to reduce the number of jobs, because employers will not be able to hire people because their labor will cost too much. But the fact is that with minimum wage laws in place, we have done much better on employment in the past than we are now doing. In fact, our unemployment rate was considerably better with a minimum wage higher in relation to the cost of living than it now is.

So I would say there, "Okay, you really want to help those unemployed and poor people. Let's talk turkey about what the real policy implications would be."

That is why I think the bishops are not trying to displace your role in this whole debate, but rather are attempting to insist that the kinds of questions they bring up get into this argument and not be left out.

Representative OBEY. Well, I happen to have voted for the subminimum wage a few years ago, but I did so at a time when it appeared that you could have one without displacing, to a significant degree, adult workers. The labor market was tighter. And it seems to me—what bothers me is, we have this—I don't mean to be offensive—but this theological debate about the minimum wage on the House floor and the Senate floor. It seems to me that if you want to take it to a different level, we simply ought to try to figure out the conditions under which a subminimum wage would make sense and the conditions under which it wouldn't, and move ahead accordingly, relate it to specific conditions in the labor market.

Father HOLLENBACH. Yes, exactly.

Representative OBEY. But what I was trying to get at with my other question is, aren't you really saying to the political system, put up or shut up? Aren't you really offering up a set of options and saying this is what we think might work, but if you don't—if you think on the economic merits, that there are problems with them, don't just try to beat something with nothing, come back with something that does really attack——

Father HOLLENBACH. Yes. I think that is exactly what is going on here. In certain selected areas of policy, the bishops are saying, we think these are the implications. These are reasonable conclusions to draw, if you share these fundamental values, such as the importance of work for human dignity, and the fact, therefore, that unemployment is a serious threat to the dignity and worth of persons. So if you share that, and you think that the level of 7 percent is causing a lot of pain for a lot of people, come up with something better, if you think that the proposals that are contained in this letter are unworkable.

On the other hand, if you say, we are not going to bother—we are concerned only with inflation, and we are not going to be concerned with unemployment at all, then the bishops are going to

say: we disagree with you on that, and we think that you have your values mixed up, not that inflation is unimportant. It is important, but if you say we will tolerate whatever level of employment that we need to keep inflation flat, then they are going to say we have a value disagreement with you. And when it gets to the more detailed questions of policy, they do acknowledge that there can be real disagreement among people who share the same values about the best way to achieve a better unemployment rate without unacceptable inflation.

They offer some examples here of what they think are reasonable steps, but they are willing to acknowledge that if somebody can come up with something better, three cheers!

Representative OBEY. Thank you very much.

Father HOLLENBACH. You are most welcome. I appreciate the opportunity to be here.

Representative OBEY. Let me now ask our next panel to come forward.

Mr. Gary Burtless, senior fellow, Brookings Institution; Ms. Isabel Sawhill, program director, Urban Institute; Mr. Lawrence Mead, associate professor, New York University; and Mr. William Niskanen, chairman of the board of Cato.

Why don't I ask Ms. Sawhill to proceed first.

STATEMENT OF ISABEL V. SAWHILL, PROGRAM DIRECTOR, URBAN INSTITUTE

Ms. SAWHILL. Thank you, Mr. Chairman.

Representative OBEY. So that the panelists know the order I am planning, why don't we start with Ms. Sawhill and go to Mr. Niskanen, then to Mr. Burtless, and then to Professor Mead.

Ms. SAWHILL. I appreciate the opportunity to share my views with you on the bishops' letter. I certainly share their concern about high levels of unemployment and poverty in this country. I believe they are speaking about issues which are ultimately moral issues, and that if our religious and political leaders are not speaking out on these issues, then they are far less likely to be addressed. However, the reason I am here today is not to decide on these moral questions but to talk about whether it's feasible to achieve the goals that the bishops have set out for the country.

I will make some comments on their policy suggestions in the areas of unemployment and poverty. I will not address the other two topics they took up: food and agriculture and the economic problems of the rest of the world.

I will be brief, because I did submit a prepared statement on these issues, as well.

So let me begin with unemployment. There is no trick to reducing unemployment through an appropriately stimulative fiscal and monetary policy. As Senator Proxmire noted, we do have a problem right now because our deficits are so large that fiscal policy is constrained for that reason and monetary policy has been very accommodating of late. However, over the longer run, and I think that is the perspective that the bishops have emphasized and that I would also emphasize, the fundamental constraint is concern about inflation as the last panelist also observed.

I think it is that concern that has led us to accept an unemployment rate of around 7 percent in recent years.

As I explain in some detail in my prepared statement, I think this concern about inflation is largely misplaced at this stage in our history. We should be able to reduce the unemployment rate to somewhere between 5 and 6 percent without generating any significant inflation. We did this in the 1950's and 1960's, and we should be able to do it again in the last 1980's and 1990's.

The reason we had difficulties in the 1970's—and I think it is those difficulties which have caused people to be fearful now—is because of three factors. The first was unfavorable demographic trends, in particular, the entry of the baby boom generation into the labor market. The second was oil price shocks, which I believe the evidence shows to have been primarily responsible for the stagflation of that era. The third factor is a lot of inertia in the wage-price spiral, which once it gets started for any reason is very difficult to stop. However, as the result of two recessions we have now purged inflation out of the system. Oil prices are predicted to be stable over the next 5 or 10 years and demographic trends are quite favorable.

Because of these conditions, I think it would be prudent to reduce unemployment to around 6 percent, and then to gradually press beyond this, if there were no signs of renewed inflation in the labor market. Clearly, the situation should be carefully monitored, because there can be no hard and fast evidence on these matters.

As the bishops suggest, macroeconomic stimulus could be supplemented by a more aggressive set of employment and training programs, designed to reduce pockets of structural unemployment; however, I don't think these are a good substitute for appropriate macroeconomic policy. In a slack economy, for example, such programs are more likely to redistribute existing jobs than to reduce overall joblessness.

Let me turn now to the issue of poverty. We know that the poverty rate is very sensitive to the state of the economy. Thus, I think the bishops are correct to emphasize the link between the two. The research that has been done on this link suggests that a 1 percentage point reduction in the unemployment rate can lead to about a 1 percentage point reduction in the poverty rate.

Thus, if we could reduce the unemployment rate from, say, 7 percent to 5½ percent, we could reduce the poverty rate from 14 percent to 12½ percent and lift 3½ million people out of poverty by that means alone. However, economic growth alone is not likely to reduce the incidence of poverty to the levels experienced in the mid-1970's. One of the reasons that the poverty rate has gone up in recent years is because our income transfer programs have been cut back, as you know. Thus, more direct forms of assistance will be needed.

A number of questions will be raised in this connection. First, do income transfers reduce poverty or do they so seriously undermine incentives to work, entrepreneurial initiative and other elements of the free enterprise system that they turn out to be counterproductive?

Although there's been a lot of discussion about these unintended side effects, I think the answer is that income transfers do reduce

poverty and they do so in ways that have only minimal effects on the efficiency of the economy. I think they are a particularly appropriate response to the poverty of those who are old and disabled, and although that group has been helped enormously by the growth of our assistance programs over the past several decades, we still have many of them who remain poor, in spite of that assistance. Indeed, right now, about one-third of all poor people in this country are either elderly or disabled.

The next question is, would the public support an increase in their taxes or a reallocation of current Federal spending to fund a substantially more generous welfare system, particularly for the able-bodied, nonelderly poor?

While this is a question I should leave to you to answer, I would point out that the polls show that although the public is concerned about poverty, they do not like welfare, and I think it is quite clear they also are not enthusiastic about seeing their taxes increased.

This leads to my third question, which is are there more politically acceptable solutions of proven effectiveness? I think the answer is yes. There are some new ideas coming out of the debate about welfare reform and poverty that's been going on for the last year or two. Let me summarize some of their ideas.

First, employment and training programs for welfare recipients can move people off of welfare and into the job market. These efforts are proving quite successful in a number of States and could be expanded with some Federal financing.

Second, better child support enforcement, including the establishment of paternity at the time every child is born, would do a great deal to reduce long-term poverty and welfare dependency.

Third, we must take seriously the idea of investing in education, especially early childhood education, and improving the schools in our inner city areas. I completely support the bishops' emphasis on the latter; I think they're right on target.

In my prepared statement, I focus particularly on the first idea, that is, substituting work for welfare as a solution to the poverty problem. I believe there is a bipartisan consensus emerging around the idea that this should be the centerpiece of any new welfare reform effort or effort to help the poor. And I believe that's consistent with the bishops' emphasis on encouraging full participation in the economy by the poor as well as the nonpoor.

Let me conclude by noting that current levels of unemployment and poverty are very high by historical standards. The bishops have challenged us all to think more seriously about how we can reduce them, and I hope we will take their challenge seriously.

Thank you.

[The prepared statement of Ms. Sawhill follows:]

PREPARED STATEMENT OF ISABEL V. SAWHILL

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to present my views on the Bishops' Pastoral Letter on Catholic Social Teaching and the Economy. I share their concern about currently high levels of unemployment and poverty in the United States and their desire to reduce both. However, as their critics have noted, the issue is not so much whether these goals are desirable but whether they are achievable. In particular, can we produce significantly lower levels of unemployment than we now face without generating more inflation? And can we reduce poverty without creating disincentives to work that might end up making the poor and everyone else worse off? After reviewing the evidence on these and other issues, I conclude that, while there are clear limits on the extent to which unemployment and poverty can be reduced, we can do better than we have in recent years.

Unemployment

There is no trick to lowering the rate of unemployment through an appropriately stimulative fiscal and monetary policy. The concern is that, by doing so, we will overheat the economy and generate inflation. It is this concern that has presumably led many people to accept an unemployment rate of around 7 percent in recent years.

An unemployment rate of 7 percent after four years of expansion is unprecedented for the postwar period. Moreover, it contrasts sharply with the goals of the "Humphrey-Hawkins" Full Employment and Balanced Growth Act of 1978 and with the experience of the 1950s and early 1960s when the unemployment rate often fell to under 5 percent without causing any significant inflation. This history has led people to ask: if we could achieve such low levels of unemployment and inflation then, why can't we do it now?

Most economists think that a 4 percent unemployment rate is no longer a sensible target for macroeconomic policy for a number of reasons. First, and most important, during the 1950s and 1960s food and import prices were rising more slowly than the CPI and exerting a downward drag on the inflation rate that helped to compensate for any upward pressure generated by excess demand in the labor market. In retrospect, it is clear that without these favorable price trends, we could not have reduced the unemployment rate below about 5 percent without generating inflation. Similarly favorable price trends over the past few years are one reason that the economy has been able to expand so rapidly without any resurgence of inflation but such good luck will not continue indefinitely. Indeed, the major factor responsible for the secular rise in the unemployment rate during the 1970s was the need to maintain some economic slack in order to offset the large and unexpected increases in inflation associated with oil and food price shocks and the declining value of the dollar. Faced with these price developments, the Federal Reserve had two choices. It could offset the drain of higher prices on people's purchasing power, thereby preventing a rise in unemployment while simultaneously ratifying higher inflation. Or it could allow unemployment to rise enough to offset the price shocks--that is, enlist American workers in the fight against oil price inflation. In fact, it chose to do some of both which is why the 1970s were plagued by both high unemployment and high inflation, and why some analysts looking at the data from this period have concluded--incorrectly, I believe--that the unemployment rate needed to keep inflation in check was as high as 7 percent. Other analysts, such as Robert Gordon at Northwestern University--after adjusting for the influence of price shocks on inflation--estimate that the unemployment rate consistent with no acceleration of inflation was about 6.0 percent during this period.

A second reason for adopting a more conservative unemployment target than in the past is inflationary expectations. As a result of our experience with inflation since the mid-sixties, individuals and institutions have taken steps to protect themselves from future inflation. For example, there is more formal and informal indexing of wages. As a result, even a temporary rise in the price level (associated, for example, with a fall in the dollar) is more likely to feed into wages, costs, and other prices and lead to a permanent rise in the inflation rate. Thus, in the process of making incomes more inflation-proof we have also made the economy more inflation-prone. To compensate for this, it is argued, we must play the economic policy game a little more conservatively.

A third argument frequently advanced is that we cannot replicate the experience of the 1950s and 1960s because changes in the age-sex composition of the labor force have caused the official unemployment rate to become a less and less adequate measure of labor market tightness relative to earlier years. Adjusting for these demographic changes, various economists estimate that the unemployment rate needed to maintain a given level of inflation increased by perhaps as much as one percentage point between the mid 1950s and the late 1970s.

Whatever validity these adjustments may have had in the past, they are becoming increasingly less relevant. The share of the labor force consisting of teenagers has been declining since 1974 and will be no higher by 1990 than it was in 1956. And while the female share of the labor force continues to rise, adult women have unemployment rates that are roughly comparable to those of adult men so the number of them who choose to work does not affect the overall unemployment rate very much.

In addition to price shocks, inflationary expectations, and demographic changes, some analysts have pointed to the falling cost of being unemployed as an additional reason for adjusting the target unemployment rate upwards. Due to the wider availability of income transfers (e.g., unemployment insurance, food stamps) and the increased number of two-worker families, it is argued, unemployment is now less painful, and people linger on the unemployment rolls longer. However, efforts to quantify the impact of these changes on unemployment rates suggest that they have had very small effects.

My own view based on all the above evidence is that a 6 percent unemployment rate is a very safe target for macroeconomic policy and that we may be able to achieve something closer to 5 percent without significant inflation risks. A prudent course would be to lower the unemployment rate to 6 percent and then to gradually press beyond this if there were no signs of renewed inflation. Should real oil prices continue to fall, exerting downward pressure on the inflation rate, then achieving the lower rate should be feasible. Conversely, should the value of the dollar fall further, raising the price of imports, even a 6 or 7 percent unemployment rate would not necessarily prevent at least a temporary renewal of inflation. Moreover, any uptick in the current inflation rate caused by depreciation of the dollar will be cited by many as evidence that labor markets have become tight and that unemployment is "too low". This would be a serious misinterpretation.

A 5 or 6 percent rate of unemployment does not in any sense represent "full employment"--only the rate that keeps us safe from inflationary pressures in the labor market. The potential exists to reduce unemployment further by supplementing macroeconomic policy with direct job creation or training programs. But such measures will not work well in a slack economy. Their principal impact could be to simply reshuffle existing jobs.

Poverty

The incidence of poverty is quite sensitive to the state of the economy as well as to the generosity of income transfer programs. Thus, any success we have in bringing the unemployment rate down will redound to the benefit of the working poor. Indeed, a depressed economy was the single most important factor causing the official poverty rate to rise from 11.7 percent in 1979 to 15.2 percent in 1983, the highest level since 1965. And the subsequent recovery helped to bring the poverty rate down to 14.0 percent in 1985. If past experience is any guide, reducing the unemployment rate from 7.0 to 5.5 percent would lift an additional 3.5 million people above the poverty line, reducing the poverty rate to around 12.5 percent.

Economic growth will not, however, solve the problem. Even with strong growth the poverty rate is likely to remain above the 11 to 12 percent rate that prevailed during most of the 1970s. To reduce poverty to the levels of the 1970s before the end of this decade would probably require that the amount of direct assistance provided to the poor be returned at least to its 1980 level.

Would an increase in income transfers for the poor curtail economic growth? Certainly it would be a mistake to add to current deficits which absorb private savings and thereby lower long-term growth. However, if such transfers were financed by an increase in taxes or a reallocation of existing spending, the effects on economic growth would be minimal. It is often argued that taxes and transfers reduce incentives to work, save and invest but what limited empirical evidence is available on these issues suggests the effects are small. Over the past 25 years, the U.S. has devoted a far smaller proportion of its national income to anti-poverty programs than most other industrialized democracies and has effected less redistribution of income than

these countries. Yet is has experienced a slower rate of economic growth. These international comparisons do not prove that income transfers have no adverse consequences for growth, but they should make us skeptical about any presumed relationship.

I conclude that the major barrier to more generous spending on the poor is political and not economic. In recent elections the voters have made it clear that they do not want to pay higher taxes, and the polls show that "welfare" (along with foreign aid) is a particularly unpopular form of government spending. The public is considerably more sympathetic to giving people jobs than to giving them income transfers and I think it would be advisable to put greater emphasis on programs that provide the nonaged and nondisabled an opportunity to work rather than additional direct assistance.

Past effort to move people dependent on welfare into the work force have a mixed record of success. One strategy that has been employed to achieve this objective is work incentives. Between 1967 and 1981, welfare recipients were permitted to keep the first $30 of their monthly earnings plus one-third of any amount above $30. However, changes in work incentives do not appear to have had a major impact on the work effort of welfare recipients. The introduction of the "thirty and a third" rule in 1967 and its virtual elimination in 1981 was not accompanied by a noticeable increase or decrease in work among the welfare-eligible population, although some analysts believe the kind of tightening that occurred in 1981 will have some adverse effects over the longer run. Another strategy has been to require that able-bodied welfare mothers without preschool children take available jobs as a condition of receiving benefits. While such a requirement has been part of the Work Incentive Program (WIN) since 1972, it has rarely been enforced in practice, and there is little evidence that work requirements, even when enforced, have

served as a significant deterrent to applying for, or remaining on, welfare. One reason that these carrots and sticks may not have made much difference is because most welfare recipients want to work. What they need is more encouragement and assistance in preparing for and finding jobs. Where such assistance has been provided, as in the earlier CETA program, and in many of the demonstration programs initiated in response to the greater flexibility provided to the states since 1981, the results have been quite positive.

Recently completed evaluations by the Manpower Demonstration Research Corporation of employment programs for welfare recipients in San Diego, Baltimore, and Arkansas indicate moderately encouraging results in terms of increased earnings for participants and savings in welfare costs for taxpayers. However, the positive effects are generally small and the results have not been consistent across all groups and all sites. Moreover, it is not yet clear what mix of program services and/or work requirements is optimal in achieving these results. A somewhat clearer finding is that the group most likely to be helped is AFDC women with little prior employment experience.

These positive results are not the only reason for the increased interest in work programs. Indeed, there appears to be a groundswell of support for these programs among liberals and conservatives alike--for philosophical and fiscal reasons as well as programmatic ones. The philosophical case has been made especially well by Lawrence Mead who argues that it demeans the poor to excuse them from the kinds of responsibilities and obligations that most of us take for granted. Primary among these is the obligation to work for one's income--a value that the poor understand as well as the nonpoor. His argument is strengthened by surveys of participants in recent workfare demonstrations which show that the great majority of them consider a work requirement fair. It is also bolstered by more anecdotal evidence that moving off of welfare and

into a job improves people's self-esteem and sense of being in control of their lives. And it has been made possible by changing views about the appropriateness of work for the mothers of young children. In some cases, the employment of the mother may even have positive effects on the children, especially where high-quality day care is available and the only other alternative is a life of welfare dependency.

Turning to the fiscal side of the equation, some have seen work-welfare programs as a way to reduce welfare costs, or at least, as a relatively inexpensive way to "do something" for the poor. The reality is a bit more complicated. First, a substantial up-front investment of public funds may be required if such programs are to be successful. The highly touted and successful "Supported Work" demonstration program for AFDC women invested almost $16,000 per participant (over a 12-18 month period) to cover administrative costs, supervision, materials and equipment, wages, and child care costs. While about one-third of these costs were defrayed in the short-run by reduced outlays for welfare or other programs and the higher taxes paid by participants, the net outlays were still substantial. A similar net investment (roughly $10,000 per participant per year) in a program that served all AFDC family heads with no pre-school children would cost around $14 billion a year. Of course, it is highly unlikely that the entire welfare caseload would need this kind of intensive investment and there may be effective programs that cost far less than this. Massachusetts which offers quite a generous package of services and day care in its employment and training program for welfare recipients only spends about $2,000 per participant, and some programs (e.g., the one in San Diego) have spent still less. Thus, it is not yet clear what level of overall investment is optimal.

In the longer run--again using the Supported Work results as a guide--this investment should more than pay for itself in the form of reduced outlays for transfers and increased revenues. This conclusion is strengthened to the extent that society places some value on the work performed by former welfare recipients and to the extent that their entry into the labor market does not simply displace other workers.

There are some signs that states are beginning to recognize the above fiscal realities--California, for example, has committed over $300 million to its work-welfare program, more than is spent by the nation as a whole in the current WIN program. This commitment is particularly surprising given the fact that most of the budgetary savings are likely to accrue at the federal rather than at the state or local level. Indeed, given that the federal government stands to gain disproportionately from such investments, it would be appropriate for it to share more in funding such efforts.

While I believe that substituting work for welfare should be the centerpiece of any new effort to reduce poverty in the United States, ideally it should be combined with a number of other strategies which I have discussed in greater detail in my paper entitled "Anti-Poverty Strategies for the 1980s."

Let me conclude by noting that current levels of unemployment and poverty are very high by historical standards. As a nation, we can clearly do better if we choose to. The Bishops have challenged the American people to think about whether current choices are consistent with the nation's traditions and their own personal values.

REFERENCES

Gary Burtless, "Public Spending for the Poor: Trends, Prospects, and Economic Limits," (Madison, Wisconsin: University of Wisconsin-Madison, Institute for Research on Poverty, 1984), paper presented at a Conference on Poverty and Policy: Retrospect and Prospects, Williamsburg, Virginia, December 6-8, 1984.

Robert J. Gordon , "Inflation, Flexible Exchange Rates, and the Natural Rate of Unemployment" in Martin Neil Baily, ed., Workers, Jobs, and Inflation (Washington, D.C.: The Brookings Institutions, 1982)

Peter Gottschalk, "The Impact of Budget Cuts and Economic Conditions on Poverty," Testimony before the Committee on Education and Labor, U.S. House of Representatives, February 21, 1985.

John L. Palmer and Isabel V. Sawhill, eds., The Reagan Record: An Assessment of America's Changing Domestic Priorities (Cambridge, Mass: Ballinger Publishing Company, 1984).

George L. Perry, "Changing Labor Market and Inflation," Brookings Papers on Economic Activity 3, pp. 411-441.

Isabel V. Sawhill, "Anti-Poverty Strategies for the 1980s," paper prepared for the Center for National Policy to be published in a volume of essays, Reducing Poverty and Dependency, in early 1987.

Isabel V. Sawhill, "Labor Market Policies and Inflation," in Michael P. Claudon and Richard R. Cornwall, An Incomes Policy for the United States (Hingham, Mass: Martinus Nijhoff Publishing, 1981).

Isabel V. Sawhill, "The Full Employment Unemployment Rate," (Washington, D.C.: The Urban Institute, 1981) research paper.

Charles F. Stone and Isabel V. Sawhill, Economic Policy in the Reagan Years, (Washington, D.C.: The Urban Institute Press, 1984).

Representative OBEY. Thank you.
Mr. Niskanen, please proceed.

STATEMENT OF WILLIAM A. NISKANEN, CHAIRMAN, CATO INSTITUTE

Mr. NISKANEN. Chairman Obey, I'm pleased to appear again before this distinguished committee, in this case, in a different capacity. And I commend your decision to provide a forum to address the important issues raised by the bishops' letter.

My prepared statement is brief and with your permission, I would like to read it.

We are all indebted to the Catholic bishops for two themes of their pastoral letters on the U.S. economy. They remind us of our individual moral reponsibility to love our neighbors and to care for the poor.

And they remind us of the value of experimenting with alternative forms of voluntary relations, within the firm and the community, to resolve problems of shared concern.

The bishops should also be commended for a final letter that is much more careful than the prior drafts. I am saddened, however, by their expansive vision of the role of the State as the instrument of our economic salvation.

As an economist and a protestant, I am not qualified to pass judgment on the origins and development of Catholic social teaching.

The pastoral letter, however, is clearly designed to shape the views of the larger community about the U.S. economy. And for that reason, I must observe that the letter appears to be based more on the contemporary secular vision of social democracy than on the message of the Scriptures.

The letter is one of rights, obligations, power, solidarity, marginalization, and participation. The message of the New Testament is one of love, joy, grace, forgiveness, and redemption.

The central theme of the letter is economic justice. The New Testament provides no concept of secular justice, economic or otherwise.

The letter describes justice in terms of outcomes. In the Old Testament, however, justice is usually described in terms of the application of general rules or laws.

In Leviticus, for example, one reads:

> You should do no injustice in judgment; you shall not be partial to the poor or defer to the great, but in righteousness shall you judge your neighbor.

The bishops endorse using the awesome powers of the State to transfer income to the poor. Jesus used the parable of the Good Samaritan to make the point that charity involves an individual, voluntary act of love to aid another.

The letter speaks of laws and programs. The Scriptures speak of virtues, but not requirements; sins, but not crimes.

The letter seeks to provide an agenda for the State. The New Testament is a message of individual salvation through Christ.

The bishops encourage us to seek justice through political action. Jesus counsels us that "the Kingdom of God is not of this world."

One has reason to question the moral authority of a letter that has no little apparent basis in the Scriptures of our shared religious heritage.

Moreover, there is reason to question the ethical basis of any system of government that is not based on the consent of the governed.

The bishops assert an extensive set of economic rights and claim that "there can be no legitimate disagreement" on these rights. Our fundamental political compact, however, provides no basis for such rights.

The Bill of Rights and the 14th amendment, for example, list a set of individual rights against the powers of the Government, not a set of rights to some level of goods and services.

Indeed, the U.S. Constitution provides no specific authority for the many programs of the modern welfare state. There may be reason to amend the Constitution to reflect the broadly shared preferences of the contemporary American community.

Our political processes, however, require that any new definition of rights or a specific authority to secure these rights be based on the broad consent of the governed.

And my own judgment is that there would be ample disagreement on these issues.

The letter also reflects a serious misunderstanding of the origins of wealth and the determinants of poverty. Some of the purported facts are wrong.

The letter, for example, asserts, without any evidence, that "the concentration of privilege and wealth that exists today results far more from institutional arrangements that distribute power and wealth inequitably than from differences in talent or lack of desire to work."

The letter also asserts that "whole nations are prevented from participating in the international economic order because they lack the power to change their disadvantaged position."

The American experience, in contrast, indicates that several minority groups that have been subject to considerable discrimination are now the highest income groups in our nation.

The foreign experience includes numerous previously impoverished countries that have more than doubled their average real income in the past few decades.

The individual or governmental discrimination that has limited the potential of these groups is grossly immoral, but the record indicates a wide divergence in the economic record of groups that have been subject to similar discrimination, depending upon their individual effort and social organization.

The care of the poor in any nation is based on both the will and the ability to help the poor. The bishops correctly remind us of our moral obligation to help the poor. The political agenda of the pastoral letter, however, is likely to undermine the ability to help the poor, by reducing the incentives to create wealth.

This agenda seems to be based more on the perpective of a "zero sum society" than on a society based on both caring and opportunity.

The bishops, of all people, appear to define human dignity in terms of material well-being, but they neglect the corrosive effect on human dignity of acquiring wealth by political action.

In several cases, their argument is internally inconsistent. The letter recognizes that American farmers and the governments of poor countries have some responsibility for the economic conditions that they face.

The poor and the unemployed, however, are absolved from any such responsibility. Specifically, one might expect the bishops' letter to recognize that so many American children are now poor because they were born to mothers who have never married, to parents that have since divorced, or to fathers who do not provide care for them.

The bishops correctly remind us that caring for our neighbors is a moral responsibility, but so also is caring for one's own children.

The letter also recommends a number of inconsistent policies. The bishops, for example, endorse both "more extensive use of job sharing, flex time, and reduced workweek," and, two sentences later, "methods to discourage the overuse of part-time workers."

Although they express concern about the hungry of the world, they recommend several policies that would increase the cost of farm production.

The bishops endorse increased economic aid to the governments of poor countries, many of which are oppressive, but they express concern about foreign private investments "that help to maintain oppressive elites in power" or that is attracted by "exploitive labor conditions."

In most cases, however, the bishops' political agenda are the failed programs of the Great Society. One wonders whether the bishops have either read their own letter or reflected on the several decades of experience with the domestic and the international welfare state.

Good intentions are not a sufficient guide to either personal behavior or social policy. The Good Samaritan's dilemma, or, in modern terms, the moral hazard problem, is inherent in human nature.

A voluntary sacrifice to aid the poor is an act of charity, when the conditions that have led to their poverty are unexpected or beyond their control.

It is less clear that such acts are charitable when the expectation of aid leads to behavior that induces or maintains poverty.

It is even less clear that taxing one group to aid another group has any moral basis, unless it is the result of rules that reflect the consensus of the whole community.

On many issues, I believe, a moral basis for social policy leads to conclusions that are directly contrary to those of the pastoral letter.

There can be no moral basis for laws or programs that undermine our family, our basic social unit. There can be no moral basis for policies that reinforce the power of the many oppressive governments of the world.

Those who claim moral authority to speak for the poor and the oppressed have a special obligation to understand the consequences of the policies that they propose.

I regret that the bishops have wrapped their moral concerns in the rhetoric of social democracy, rather than in either the guidance of the Scriptures or the wisdom and understanding on which a resolution of our shared concerns must be based.

Representative OBEY. Thank you.

Mr. Burtless, please proceed.

STATEMENT OF GARY BURTLESS, SENIOR FELLOW, BROOKINGS INSTITUTION

Mr. BURTLESS. Thank you for the opportunity to speak before the committee.

In November, the Catholic bishops approved the final text of the pastoral letter on Catholic social teaching and the U.S. economy. In their assessment of the economy, the bishops found much to praise, but much to criticize.

While our standard of living is high, joblessness and poverty keep many of our fellow citizens from joining in our abundance.

Food is plentiful and cheap, but the bishops point out that distress in rural America is unprecedented in the postwar era.

The economy is prosperous in much of the industrialized world, but this prosperity coexists with appalling misery and squalor in less developed countries.

What are the moral obligations of Catholics in these circumstances?

I think the bishops suggest two kinds of obligations. First, there is the traditional obligation for alms giving and other individual acts of charity, which we've just heard about.

But, second, there is a social obligation for work or economic institutions that assure the dignity of our fellow citizens, including those who are most in need, including the unemployed, the poor, and farmers who face the loss of their land and livelihood.

In the next couple of minutes, I would like to briefly consider three different questions about the controversy that has arisen about the bishops' letter.

First, how justified were the bishops in condemning existing inequality in the United States? Is it really so bad?

Second, can our society afford to do any more to reduce this inequality, as the bishops urge? Or will added efforts be counterproductive, as some of their critics have suggested.

And, third, was it really necessary for them to suggest specific policy reforms?

On the first question: How bad is the situation?

Economic rewards are more unequally distributed in the United States than elsewhere in the Western industrialized world. And they appear to be growing gradually more unequal over time.

One reason this is of concern today is that for more than a decade in this country, real incomes have risen only very slowly, if at all. Hence, it is, and has been, a zero-sum game for the last 10 years.

It is hard to be confident about the future prospects of our poor and jobless when average incomes are stagnating and inequality is rising. And this, I think, explains the timing of the bishops' letter.

But I would like to suggest one other justification as well. The United States experiences far more poverty, absolutely and relatively, than other industrial countries which have similar standards of living.

Good economic evidence on this issue is really quite recent. The Luxembourg income study, which I talk about in my prepared statement, has gathered income files which contain good measures of economic well-being in a number of advanced countries.

Timothy Smeading, a professor at the University of Utah, and two of his colleagues have recently analyzed the incidence of poverty in these countries using different definitions of well-being and poverty.

They focused on poverty among all children and among all elderly in the countries, two groups that face special problems in maintaining their incomes and consumption.

A table contained in my prepared statement shows the results of their analysis. The fraction of children and aged persons in poverty is calculated under two different definitions.

Under the first definition I show the fraction of children and elderly who live in families with incomes below one-half their nation's median income.

In the second set of statistics, I show poverty under an absolute scale; namely, the poverty scale as measured by the U.S. Census Bureau.

These two alternative measures show the amount of relative and absolute poverty in each of six countries. And the statistics in the table show that, indeed, the United States does moderately well in holding down poverty among the elderly.

American old people have less absolute poverty than the elderly in Great Britain and approximately the same level of absolute poverty as the elderly in Norway and West Germany.

But they have much more poverty than the elderly in Canada and Sweden.

The United States, however, is extremely unsuccessful in keeping its children out of poverty. The incidence of poverty among children is far higher in our country than it is any of the other countries listed, including Great Britain, where the average income is one-third lower than it is in this country.

The consistently high rates of poverty among American children under all definitions of poverty and all definitions of income are striking.

The U.S. child poverty rate is 60 percent higher than the rate in Great Britain, almost 80 percent higher than the rate in Canada. And more than double the rate in any of the other countries listed.

This discrepancy is especially shocking in view of the fact that the United States enjoys somewhat higher average levels of income than most of the other countries listed, and a substantially higher income than Great Britain.

The evidence shows that our Nation lags well behind other countries at somewhat below our level of standard of living when it comes to protecting the welfare of families that have children.

The bishops' letter focuses on improving the fortunes of people who must earn their incomes through work. These working people

are the ones who bear primary responsibility in our society and elsewhere for rearing and protecting children.

Thus, I think the bishops are correct in urging that the problem of poverty requires much attention right now.

The second question is: Can we afford to reduce poverty? Many critics of the pastoral letter would concede that poverty and joblessness are high, but they would argue that the price of doing something about it is prohibitively high as well.

Efforts to reduce inequality or unemployment are expensive. And the Nation is already struggling to pay for its current obligations.

A few critics would go further and argue that most efforts to help the poor and the jobless are counterproductive. In providing help to those in need, we undermine the incentives for people to improve their own lives.

I think, from a hard-hearted economic perspective, it will require sacrifice on the part of the nonpoor and those who hold jobs in order to reduce poverty and to reduce joblessness.

If we make a larger share of national income available to these people, we are reducing the amount of income available to the nonpoor and those who hold jobs either because of higher taxes or higher prices on the goods and services that the employed and the nonpoor purchase.

At least in the short run, I think policies to help the poor involve conflicts among people who stand to gain or to lose, depending on which policy is adopted.

One obstacle already mentioned, the putting of more resources at the disposal of the poor, is the current budget situation. The prospect of large deficits puts pressure on Congress and the President to reduce government spending, including spending on programs for the poor.

But I think this check on spending is essentially a political one rather than an economic one. While the deficits have undesirable economic consequences for future prospects of our country, fear of those effects has not deterred the President or the Congress from substantially raising spending on other activities—for example, new defense initiatives, aid to agriculture, and support of biomedical research. Nor has it spurred the Nation to take the most obvious corrective action to reduce the deficit; namely, raise government revenues.

In the long run, setting an economically defensible level of government spending for the poor depends on our society's willingness to tax itself to pay for the programs.

A second objection to antipoverty programs is that they create adverse incentives that partly or wholly offset their supposed benefits to the poor.

The available evidence does indeed suggest that the poor do make somewhat less efforts on their behalf in response to other programs, like welfare programs and certain social insurance programs.

But the losses in the poor's earnings are more than offset by the increases in transfer benefits.

Working age adults do not become poorer as a result of receiving more generous income transfer benefits, contrary to the wisdom

that is sometimes preached. They do receive, however, less of their income as wage earnings.

Rather than becoming enmeshed in the details of numerous and competing studies of the effectiveness of antipoverty programs, I would like to focus on a central question.

What is the evidence for a bad tradeoff between the level of a nation's prosperity and the amount of resources it devotes to reducing inequality?

How much prosperity do we give up when we help the poor?

In my prepared statement, I include a table showing international statistics on redistribution and economic growth. There is little evidence in those statistics that generous redistribution has a high cost in terms of slower economic growth.

Table 2 in the prepared statement shows statistics on social welfare spending, on per capita national income, and on rates of growth of real income in six of the largest Western industrialized countries.

The statistics in the table indicate that the United States spends comparatively little on redistribution, yet its rate of economic growth has not been outstanding in comparison to other large countries.

West Germany redistributes an unusually large fraction of national output to its poor. Yet its growth has been faster than our own.

Interestingly, social expenditures have grown much more quickly in Japan than in the United States since 1960. Social expenditures also grew faster in West Germany, in France, in Italy—from a much higher base than that in the United States in 1960; yet, these countries have enjoyed faster growth in real income than the United States has.

So there seems to be little evidence in these international statistics that our country has enjoyed a growth dividend as a result of limiting its redistributional programs.

This point seems to me to be critical as voters and lawmakers consider whether we can economically afford the option for the poor recommended by the Catholic bishops.

Finally, the question I'd like to ask is:

Were the bishops justified in offering specific policy recommendations?

They've been criticized for becoming involved in what are essentially political and economic issues, not moral or spiritual ones. For example, their letter calls for an increase in the minimum wage, a national minimum benefit level in AFDC and a nationwide extension of the AFDC unemployed parent program.

Each of these proposals is subject to heated political controversy, and there's not even agreement that some of them would result in a reduction of poverty.

I think that people who criticized the letter because it includes specific recommendations are fundamentally mistaken. By including concrete proposals for reform, the bishops did not require that Catholics or anyone else agree with all or even most of the proposals.

They were reminders, at several points in their letter, that it was not a blueprint for political action.

I believe the bishops were correct to include very specific recommendations, even though I disagree with some of them. By describing precise reforms and policy goals, the bishops have forced their audience to at least reflect upon the obligation that is imposed by Catholic doctrine.

That doctrine does not oblige Catholics to work for legislation mandating a minimum wage of $4.65 an hour, or a specific AFDC minimum level across the country. But it does require some personal effort for social and economic arrangements that reduce deprivation among the poor and distressed.

And I think this doctrine should be contrasted with another theory that has become popular in recent years. According to this popular theory, the best way to help those in need is to reduce the aid we presently give them. With less aid, they will become more independent and possibly self-sufficient. Instead of handing out cash and material resources to those in need, we should dispense moral advice.

With better moral and spiritual values, the poor will enter the mainstream. But, conveniently, this theory of social welfare policy imposes very light obligations on the nonpoor. The affluent are required only to offer advice and to serve as economic and social role models to the poor.

The nonpoor who are reluctant to give alms can even take comfort from the fact that by withholding voluntary contributions, they are spurring the poor to greater self-sufficiency.

The bishops reject this theory of social welfare, and I think rightly. Their doctrine entails obligations on the part of the nonpoor as well as the poor. By describing specific policies that can reduce distress and enhance self-respect among the jobless and the poor, the bishops make clear to Catholics what they regard to be the cost of modern discipleship.

The policies suggested in the letter are not costless to the affluent majority. I think that is the central lesson to be drawn.

Thank you.

[The prepared statement of Mr. Burtless follows:]

PREPARED STATEMENT OF GARY BURTLESS

Background

In November of this year, the Catholic bishops approved the final text of a pastoral letter on Catholic social teaching and the U.S. economy. The bishops attempted to spell out in that letter the moral principles that should guide Catholics' evaluation of the performance of the economy. They also offered suggestions for reform of American economic institutions to bring them into closer conformity with the moral precepts of Catholic social doctrine.

In their assessment of tne U.S. economy the bishops found much to praise, but much also to criticize. While the U.S. standard of living is high, joblessness and poverty keep many Americansfrom sharing fully in our abundance. Food is plentiful and cheap, but the distress in rural America is unprecedented in the post-war era. The economy is prosperous in much of the industrialized world, but this prosperity coexists with appalling misery and squalor in the developing world.

What are the moral obligations of Catholics in these circumstances? According to my reading of the letter, the bishops suggest two basic obligations. First, there is the traditional obligation for almsgiving and other individual acts of charity to help those in distress. And second, there is a social obligation to work for economic and political institutions that assure and enhance the dignity of our fellow men and women, including especially those who are in greatest need -- the unemployed, the poor, and farm families threatened with loss of livelihood.

By placing so much emphasis on the latter obligation, the bishops' letter has inspired heated controversy. The controversy has been intensified by the bishops' decision to offer specific recommendations for the reform of U.S. economic institutions and policies. Some commentators take it amiss that the bishops have offered any criticism at all of an economic system that has produced such a high standard of average well-being. Others object to the clergy meddling in temporal matters that are allegedly best left to practical men and women of affairs. Still other critics vigorously dissent from the specific policy suggestions offered in the pastoral letter.

In the remainder of my testimony I will offer some comments on the bishops' letter and the controversy surrounding it. My comments are offered from the perspective of an working economist who has spent much of the past decade studying the problems of low-income workers and the social welfare programs that have been designed to address those problems. Briefly, I would like to consider three different aspects of the controversy. First, how justified are the bishops in their condemnation of existing inequality in the United States? Second, can our society afford to do any more in an effort to reduce this inequality, as the bishops urge? Or will our added efforts be counterproductive, as some commentators suggest? And third, how feasible and potentially effective are the specific policy reforms suggested in the pastoral letter?

Economic Inequality in the United States

Economic rewards are more unequally distributed in the United States than elsewhere in the western industrialized world, and they appear to be growing gradually more unequal over time. This problem was not often discussed in the 1950s or 1960s, in part because our knowledge about the income and wealth distribution was so sketchy and in part because inequality was gradually

declining in those decades. In addition, of course, small changes in inequality are far less noticeable in a period when real incomes are rising strongly across the entire income distribution.

Since 1973 the rise in real income has been much slower and more erratic, and some segments of the population have actually suffered significant income losses. Part of the rise in inequality is due to the long-term trend toward higher joblessness, a problem that is emphasized in the pastoral letter. But part of it, too, is caused by greater inequality in the earnings distribution that has not been offset by rises in government transfer programs.[1] I should emphasize, however, that the recorded changes in the U.S. income distribution are occuring very slowly and are probably too small to explain the sense of urgency expressed by the bishops in their pastoral letter. The present distribution of income, while more unequal that the one in the late 1960s and early 1970s, is probably less unequal than the one at the end of World War II. But the crucial point is that for more than a decade real incomes have risen only very slowly if at all. It is hard to be confident about the future prospects of America's poor when average incomes are stagnating and inequality is rising. Hence the timeliness of the bishops' letter.

I would like to suggest an additional justification as well. Evidence has accumulated that the United States experiences far more poverty than other capitalist countries with a similar standard of living. While this should come

---

1. See Robert Z. Lawrence, "Sectoral Shifts and the Size of the Middle Class," The Brookings Review, Fall 1984, pp. 3-11; Martin Dooley and Peter Gottschalk, "Earnings Inequality among Males in the United States: Trends and the Effects of Labor Force Growth," Journal of Political Economy, vol. 92, no. 1, 1984; and Katherine L. Bradbury, "The Shrinking Middle Class," New England Economic Review, September/October 1986, pp. 41-55.

as no surprise to any American who has paid an extended visit to northwestern Europe, reliable statistical evidence on the issue is comparatively recent. The Luxembourg Income Study (LIS) has gathered in a central location several large microcensus files which contain comprehensive measures of income and economic well-being for a group of advanced capitalist countries. Timothy Smeeding, Barbara Torrey, and Martin Rein have recently analyzed the incidence of poverty in these countries using alternative definitions of the poverty line.[2] Their analysis focused on poverty among children and the elderly, two groups that are widely acknowledged to face special problems in maintaining their consumption.

In Table 1 below, I show the results of this analysis. The fraction of children and aged persons in poverty is calculated under two definitions. Under the first definition, the analysts computed the fraction of children and elderly who live in families with incomes less than one half their nation's median income (adjusted for family size). Under the second definition, the analysts defined poverty according to an absolute scale, namely, using the dollar poverty-line amount defined by the U.S. Bureau of Census. This absolute scale is converted into other national currencies using measures of purchasing power parity developed by the OECD. These two alternative measures show the amount of relative and absolute poverty, respectively, in each of six nations, where the absolute measure is based on the U.S. definition of poverty.

---

2. Timothy Smeeding, Barbara Torrey, and Martin Rein, "The Economic Status of the Young and the Old in Six Countries," Luxembourg Income Study Working Paper No. 8, Centre d'Etudes de Populations, de Pauvrete et de Politiques Socio-economiques, Luxembourg, May 1986 (forthcoming in Contemporary Policy Studies).

Table 1. Poverty Rates among Children and the Elderly in Six Nations

Percent

Country	Children		The Elderly	
	Relative Poverty[a]	Absolute Poverty[b]	Relative Poverty[a]	Absolute Poverty[b]
United States	17.4	17.1	11.7	16.1
United Kingdom	11.0	10.7	23.5	37.0
Sweden	4.9	5.1	0.0	2.0
Norway	7.7	7.6	5.5	18.7
Canada	9.5	9.6	3.0	4.8
West Germany	7.7	8.2	12.3	15.4

Source: Smeeding, Torrey, and Rein, "The Economic Status of the Young and the Old in Six Countries." Data refer to 1979 or 1981.

[a]Percentage of persons of each type living in families with incomes below one-half of national median income.

[b]Percentage of persons of each type with disposable incomes below the official U.S. poverty line, converted to appropriate national currency.

The statistics in the table show that the United States is moderately successful in holding down poverty among the elderly. American old people have far less absolute poverty than the elderly in Great Britain, where of course the average income is much lower. They have approximately the same absolute poverty as the elderly in Norway and West Germany, and much higher poverty than the elderly in Canada and Sweden.

The United States is conspicuously unsuccessful in keeping its children out of poverty. Using either a relative or absolute standard for measuring poverty, the incidence of poverty among children is far higher in our country than it is in any of the other countries listed, including Great Britain where average real income is nearly one-third lower. The consistently high rates of poverty among American children under all definitions of poverty and income are striking. The U.S. child poverty rate using the absolute U.S. standard is 60 percent higher than the rate in Great Britain, 78 percent higher than the rate in Canada, and more than double the rate in any of the other countries. This discrepancy is especially shocking in view of the fact that the United States enjoys a slightly higher average income than most of the other countries and a substantially higher income than Britain. Note also that the table shows the U.S. poverty rate in 1979. Since that year, poverty among American children has risen substantially.

The evidence in Table 1 shows that our nation lags well behind other advanced countries when it comes to protecting the welfare of families with children. The bishops' letter properly focuses on improving the fortunes of people who must earn their incomes through work -- the low-skilled, the jobless, and farmers faced with loss of their land. These working people are the ones who bear primary responsibility for rearing and protecting our children. The pastoral letter places less emphasis on the elderly and the totally disabled,

groups that already enjoy moderately good protection under Old Age and Disability Insurance and medicare. Table 1 shows that we have a long way to go even to match the child poverty rates in countries with far lower incomes.

The Cost of Reducing Inequality

Many critics of the pastoral letter would concede that poverty and joblessness are too high. But they argue that the price of doing something about it is prohibitively high as well. Efforts to reduce inequality or unemployment are expensive, and the nation is already struggling to pay for its current obligations. A few critics would go further and argue that most efforts to help the poor and jobless are counterproductive. In providing help to those in need we undermine the incentives that spur people to improve their own lives.

The bishops argue that the ". . . 'option for the poor' does not mean pitting one group against another, but rather, strengthening the whole community by assisting those who are most vulnerable." From a hard-hearted economic perspective, this is not quite valid. If we make a larger share of national income available to the poor, we are probably reducing the amount of income available to the nonpoor, either through higher taxes or higher prices on the goods and services they purchase. At least in the short run, policies to help the poor involve conflicts among groups of people who stand to gain or lose, depending on which policy is adopted.

It is of course true that there may be policies that raise the earned incomes of the poor by enough so that real national income is raised. If such policies were enacted, the economic pie would be larger; the slices available to both rich and poor would be larger. But after studying a number of policy proposals over the past ten years, I am convinced that policies of the type just described are very difficult to find and even more difficult to implement. If we

really want to help most of the poor in the United States today, we must provide them with more resources. These resources will have to be provided to them either directly--through higher transfer payments or educational investments--or indirectly--through wages that are higher than those they could earn without outside intervention. The added resources cannot be provided without some sacrifice from taxpayers, employers, or consumers.

One obstacle to making more resources available to the poor is the current budget situation. The prospect of large and apparently intractable federal deficits places pressure on the Congress and President to reduce government spending, including spending for the poor. However, this check on spending is essentially political rather than economic in nature. While the deficits do indeed have undesirable effects on the future prospects of our economy, fear of those effects has not deterred the Congress or President from substantially raising spending on other activities -- for example, new strategic defenses, aid to agriculture, and support of biomedical research. Nor has it spurred the nation to take the most obvious corrective action to reduce deficits, namely, raise government revenues.

In the long run, setting an economically defensible level of government spending for the poor depends on society's willingness to tax itself in order to pay for that spending. If our underlying willingness to support help for the poor is high, the current budget situation represents only a short-term political check rather than a permanent economic limit to antipoverty spending.

Another objection to antipoverty programs is that they create adverse incentives that partly or wholly offset their supposed benefits for the poor. I have written extensively about this problem in the past few years and have no

time here to discuss the extensive literature on the subject.[3] The available evidence suggests that added transfer benefits provided to working age, able-bodied people will probably cause some reduction in work effort and earnings, although the losses in earnings are more than offset by the increases in transfer benefits. Working age adults do not become poorer as a result of receiving more generous transfer benefits, although they do receive less of their income as wage earnings. In addition, the amount of earnings reduction depends on the exact formula for paying benefits and the details of the eligibility rules (for example, prime-age men and single mothers are less affected by transfers than married women and older workers).

Rather than becoming enmeshed in the details of numerous and competing studies of the effectiveness of antipoverty and manpower programs, I would like to focus on a central question. What is the evidence for a tradeoff between the level of a nation's prosperity and the amount of resources it devotes to reducing inequality? Theory and microeconomic evidence have only limited usefulness in establishing the exact terms of this tradeoff. How much prosperity do we sacrifice when we devote more to helping the poor? International comparisons can shed some light on this issue. The United States spends a smaller share of national income on redistribution than do most other advanced industrialized countries. Not surprisingly, by devoting fewer resources to redistribution, our

---

3. See "Public Spending for the Poor: Trends, Prospects, and Economic Limits," in S. Danziger and D.H. Weinberg, eds., Fighting Poverty: What Works and What Doesn't (Cambidge: Harvard University Press), 1986; "Taxes, Transfers, and Economic Distortions: Evaluating the New View," (with Robert Haveman) Challenge, forthcoming; and "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in A. Munnell, ed., The Income Maintenance Experiments: Lessons for Welfare Reform (Boston: Federal Reserve Bank of Boston), forthcoming.

country also accomplishes less redistribution, leaving a greater degree of income inequality than found in other nations.[4]

When we examine international statistics, there is little evidence that generous redistribution has a high cost in terms of slower economic growth. Table 2 presents OECD statistics on social welfare spending, per capita national output, and rates of growth of real output in the six largest advanced capitalist nations. The first two columns in the table show the percentage of gross domestic product devoted to social spending (except education) in 1960 and 1981, respectively. The OECD definition of social expenditures includes public outlays on health, pensions, and other income maintenance programs. The third column shows per capita gross domestic product in 1981 as measured using 1981 prices and exchange ratios. These numbers provide rough indicators of average well-being in the six countries, though obviously they are subject to year-to-year fluctuation because of exchange rate movements. The last column shows the average annual growth-rate of real per capita GDP over the period from 1960 through 1981.

As the statistics in the table make clear, the United States spends comparatively little on redistribution, yet its rate of economic growth has not been outstanding in comparison to that of other large industrialized countries. By contrast, West Germany redistributes an unusually large fraction of national output, yet its growth has not been conspicuously slow. Interestingly, social expenditures surged much faster in Japan than in the United States after 1960, rising from only 4 percent to nearly 14 percent of GDP. Social expenditures also grew faster in West Germany, France, and Italy, from a much higher base, and each

---

4. See Table 1 above as well as P. Saunders, "Evidence on Redistribution by Governments," (Paris: OECD Economics and Statistics Department), 1984.

Table 2. Social Expenditure and Economic Growth in Six OECD Countries, 1960-81.

	Social Expenditure as a percent of GDP[a]		GDP per capita	Annual growth in GDP per capita,
	1960	1981	1981[b]	1960-81
Germany	18.0%	26.5%	$11,080	3.1%
France	13.4	23.8	10,550	3.6
Italy	12.7	22.7	6,120	3.6
United Kingdom	10.3	18.9	8,880	1.8
United States	7.3	14.9	12,650	2.1
Japan	4.0	13.8	9,610	6.4

Source: Gary Burtless, "Public Spending for the Poor: Trends, Prospects, and Economic Limits."

a/ Government outlays on pensions, health care, and other income maintenance as a percentage of gross domestic product.

b/ Measured in U.S. dollars at 1981 prices and exchange rates.

of these countries has enjoyed faster per capita income growth than the United States.

There seems to be little evidence in these international statistics that our country has enjoyed a growth dividend as a result of limiting its redistributional outlays. Other advanced nations have done as well or better, though they have redistributed a larger share of income. I do not conclude from this that there is no economic penalty arising from activist redistributional and antipoverty policies. Other factors have also affected the extent of average income growth in the six nations included in the table. The high level of U.S. income in 1960 may have made it more difficult to achieve high growth rates after that year. I do conclude, however, that redistributional programs that are far larger than the ones now operating in the United States appear to be consistent with rates of economic growth that are higher than the rate we have experienced in the recent past. In my view, this point is critical as voters and lawmakers consider whether we can economically afford the "option for the poor" advocated by the Catholic bishops.

The Policy Recommendations in the Pastoral Letter

In Chapter 3 of their letter the bishops offer specific policy recommendations for consideration by Catholics and others who are concerned for the poor and jobless. A basic question about these recommendations is why the bishops felt it necessary to offer them at all. The authors of the pastoral letter have been criticized for becoming involved in what are essentially political and economic issues, not moral or spiritual ones. For example, the letter calls for an increase in the minimum wage (paragraph 197), a national minimum benefit level in AFDC (213), and a nation-wide extension of the AFDC-Unemployed Parent program (214). Each of these proposals is the subject of

heated political controversy. There is not even agreement that some of them would result in a reduction in poverty.[5]

I think that people who criticize the letter because it includes specific recommendations are fundamentally mistaken. By including concrete proposals for reform, the bishops did not require that Catholics agree with all or even most of their proposals. They reminded readers at several points that the letter was not a blueprint for political action: ". . . although moral values are essential in determining public policies, they do not dictate specific solutions."

I believe the bishops were right to include very specific recommendations, even though I disagree with many of them. To tell us "There are too many poor" is easy; it imposes no obligation on either the speaker or the listener. To say "The world should be changed so that the number of poor falls" is also easy. This statement, too, will command universal assent, because it implies no personal responsibility and requires no sacrifice. By describing precise reforms and policy goals, the bishops have forced their audience to at least reflect upon the obligation that is imposed by Catholic social doctrine. That doctrine does not oblige Catholics to work for legislation mandating a minimum wage of precisely $4.65 per hour or an AFDC benefit of 75 percent of the poverty line. But it does require some exertion for social and economic arrangements that reduce deprivation among the poor and distressed.

---

5. Economists broadly agree that an increase in the minimum wage would raise the wages of poorly paid workers. But it would also result in some employment losses among the less skilled, because employers would find that they could not keep some of their least skilled workers profitably employed at the higher wage rate. The wage gains of workers who remained employed would bring a few of them out of poverty, but the earnings losses of the newly unemployed workers would push some presently nonpoor families below the poverty line. It is not clear whether the incidence of poverty would rise or fall.

This doctrine should be contrasted with another theory that has become popular in recent years. According to a now prevalent theory, the best way to help those in need is to reduce the aid we presently offer them. With less aid, they will become more independent, and possibly self-sufficient. Instead of handing out cash and material resources to those in need, we should dispense moral advice. With better moral and spiritual values, the poor will enter (or re-enter) the mainstream.

Conveniently, this theory of social welfare policy imposes very light obligations on the nonpoor. The affluent are required only to proffer advice and serve as economic and social role models for the poor. Of course, there remains the traditional obligation of almsgiving, but this is purely voluntary and no coercion can be applied. Those who are reluctant to give alms can even take comfort from the fact that by witholding voluntary contributions they are spurring the poor to greater self-sufficiency.

The bishops reject this theory of social welfare. Their doctrine entails obligations on the part of the nonpoor as well as the poor. By describing specific policies that can reduce distress and enhance self-respect among the jobless and the poor, the bishops make clear to Catholics what they regard to be the costs of modern discipleship. The policies suggested in the letter are not costless to the affluent majority. I think that is the central lesson to be drawn.

Representative OBEY. Thank you very much.
Mr. Mead, please proceed.

STATEMENT OF LAWRENCE M. MEAD, ASSOCIATE PROFESSOR, DEPARTMENT OF POLITICS, NEW YORK UNIVERSITY

Mr. MEAD. Thank you very much, Mr. Chairman.

I'm a political scientist by profession and background, but, today, I would prefer to talk, if I may, more as a moralist or even a theologian. I will leave to my colleagues the judgments we've heard about the economic or political feasibility of the bishops' position.

In my view, these criticisms are important, but they're not very telling because they leave the bishops occupying the high ground. They leave unshaken their conviction that at least their views are morally unassailable.

That's the assumption that I want to question. I don't think the bishops' positions are defensible even morally. What follows is mainly discussion about the poverty aspects of the letter, not its overall assessment of the economy.

I don't question the bishops' motives, which are very patently well intentioned. I also don't mean to be anti-Catholic. As a matter of fact, I would make these criticisms even more strongly to the leaders of my own church, the Episcopal Church.

I want to make three points:

First, the letter mistakes the nature of poverty today.

Second, it's unbiblical.

And, third, it's unfair to the American people.

Now, first, the bishops deny the role which the poor themselves have in creating much of today's poverty. The letter treats the poor almost entirely as passive victims of society. It speaks of them almost entirely in the passive voice. The economy is always doing things to them.

Now, the Catholic Church is a medieval institution. And this analysis seems to hark back to a static, premodern, unequal world, where the opportunities available to ordinary people were radically limited.

Now, we don't have to romanticize American life to recognize that, today, the opportunities are very much greater. One would hardly know from this letter that there were such things as civil liberties, civil rights, public education, and economic growth in America.

The bishops do credit their country with these achievements, yet somehow this doesn't shake their conviction that the poor are trapped by social forces over which they have no control.

But, in reality, individuals matter. Today's poor are often needy, in part at least, because of their own actions. The letter is correct to say that poverty and dependency are transient for most people. But, in this as in other respects, the empirical analysis in the letter is extremely one sided.

Although most poor people do not remain poor for long, there is an important group of long-term poor and dependent whose lives are seriously disordered. To them, economic need is a symptom of deeper difficulties coping with daily life. It reflects the problems of

illegitimacy, family breakup, crime, and low-work levels which now make America's inner cities sometimes uninhabitable.

I mention these facts not to be judgmental and not to deny society's responsibility to help. The point rather is we can't help the poor unless we recognize these problems. You have to face up to the behaviorable dimension of poverty.

Even liberal analysts increasingly recognize that it's not going to solve the problems at the bottom of society simply to provide greater income and opportunity. That's what we've been doing for a generation, and we still have long-term poverty.

From reading this letter, however, one would never know that conduct played any important role in the social problem. The bishops attribute personal criticism of the dependent entirely to stereotypes. To them, it's only a prejudice to say that welfare mothers don't work. But the truth is they do work about half as often as comparable women who are not on welfare. That is, divorced and separated women.

The bishops note that almost half the poor families have members who work at least some part of the year. And, immediately, one asks:

Why is it not much more than half? Why is it not year round?

And while it's true that the poor want to work—quite true—it's just as true that they work, in fact, much less consistently than other people. And this is a major reason why they're poor.

Nor can this difference be blamed in most cases on a lack of jobs or other impediments in the labor market. As the chairman has pointed out to us today, in some ways the quality of new jobs in the economy is less than it once was. The average pay and prospects of many jobs are limited. That's quite true.

But it's not true that unemployment is usually due to inability to find a job at all. Unemployment measures, in fact, how many people have not found a job that they feel they can accept, not how many literally can find no jobs.

According to the evidence that we have, which is mixed, jobs that meet middle-class standards of pay and prospects are indeed scarce. But jobs of a lesser kind are plentiful. Otherwise, we would not have millions of immigrants, legal and illegal, clamoring at the gates.

Available jobs are often dirty and low paid, but they do usually suffice to keep families out of poverty, provided both parents work.

You may say, well, should they have to work? Well, that's a larger question than the poverty question. But both parents working is now the norm in this country, and it's unreasonable to expect that poor people should meet a lesser norm.

Now, I don't claim that the dysfunctional aspect of poverty has clear causes or answers, nor is it the case that whatever answers we have would justify doing nothing to help the poor. Perhaps they would mean doing more.

My problem is that the bishops appear not even to be asking these questions. Nor are theologians, to the best of my knowledge. My impression is the churchmen simply have not grappled with the implications of dysfunction for the very meaning of charity.

They still think that just giving the poor more resources and opportunities is enough to solve their problems. My impression is

that they're talking entirely to society and not to the poor. They're much more interested in using poverty to moralize society than in dealing with the actual problems of the long-term poor.

Recently, due to the importance of these problems, government has moved toward an idea that it may be necessary to require better behavior of the dependent in return for support.

Since 1981, a number of new programs have been instituted at the State level to require employable recipients to work, look for work, or enter training in return for support.

Belle Sawhill has mentioned these programs. The thing that I want to emphasize is that these are mandatory programs in most cases. They require that the recipients do something in return for their benefits. They're not simply opportunity oriented. They're not simply services.

And it's precisely the element of obligation in those programs that seems to account for their success over previous programs.

According to the evaluations, these programs look quite promising. They save money, they also help the recipients to earn more. But, more important than that, they have a dramatic effect on the participation levels of these people in work or training—the very thing which the bishops say they're interested in.

But, this development has occurred with no support at all from the institutional church. Government is acting by itself. The bishops' letter speaks vaguely in several places about the importance of work, obligation and self-reliance by the poor, but generalities are cheap. The bishops endorse no specific requirement bearing on the poor themselves at all. The first draft of the letter sharply repudiated any idea that welfare benefits should be conditioned in any way on work.

The final version is more general. But it speaks only of opportunities and incentives to work, rather than requirements. Unfortunately, these policies have shown much less effect on work levels than the current requirements.

Archbishop Weakland has spoken again this morning of the importance of work and obligation but, again, there was no endorsement of any specific work policy that would be mandatory.

Now, turning to the second point, the bishops argue their position on grounds that it's a Christian duty, but the ethic that emerges from the letter is very different in my view from the one in the Bible.

Mr. Niskanen has already spoken of his own interpretation. My own view is that it's true that Jesus shows special solicitude for the poor, but he does not treat them as the victims. He does in fact hold them accountable for their specific actions. He is not permissive.

He never suggests, as the bishops do, and many liberal analysts do, they are exempted from normal civilities because they're poor.

This solicitude reflects radical differences between His world and ours. In that primitive time, poverty was much more plausibly due to limited opportunity and less plausibly due to conduct than it is today.

On the other hand, Jesus could take for granted what we cannot, that social norms bore equally on all citizens. Biblical Israel was a

law-ridden society in which religious maxims governed the minutest details of life.

In this setting, it was natural that Jesus or the prophets would argue for a more fervent, less legalistic view of morality. But, Jesus never excuses people from fundamental civilities and he never suggested that they should be excused from moral responsibility due to social conditions.

The radical thing about the Old Testament and the New is that their moral messages make no distinction between rich and poor. They act to break down the classes and make it possible to imagine a world in which the valleys will be exalted and the mountains and hills made low.

The permissive policies the bishops recommend would have no such effect. They would perpetuate the society we have in which an indulgent government takes care of the poor, but leaves them incompetent and, hence, unequal.

For, however much is done for them, as long as they only receive from others, they will remain dependent and inferior. To achieve quality, we must also require that the poor contribute to society; for only then can we be dependent on them. And that's the thing that leads to equality.

The third point is that the bishops, what they recommend would be an injustice to the American people. Churchmen, I find, are unduly concerned about conservative tendencies in society, which they think will lead to a reactionary social policy.

I would like to reassure them. According to the polls on that subject, the American public is humanitarian. Its objections to welfare are wholly concentrated on the abuses in welfare. If there was a serious work policy in welfare, they would be reassured.

The way to secure political support for a generous social policy is to deal with the abuses and to hold the dependent accountable to the same behavorial norms as other Americans. That's what it seems to me this letter fails to do.

The public wants, not a release from its responsibility for the poor, but moral reciprocity. And when churchmen and other leaders find the grace to hold the poor to the same moral standards as others, then, and only then, will greater commitment to progressive policies be forthcoming.

I think the bottom line is that justice for the poor requires fairness toward others. The issue here isn't really the amount of government this letter would involve. That is a matter of dispute, which my colleagues here have already opened. I don't see that as the main problem of the letter. It's rather the permissive social vision and the entirely passive view of the poor themselves. Unless we're ready to expect more of them, we cannot imagine them becoming more equal.

Thank you.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF LAWRENCE M. MEAD

My name is Lawrence M. Mead. I am an Associate Professor of Politics at New York University. I have spent about ten years researching and writing about welfare and employment programs in the U.S. I am the author of Beyond Entitlement: The Social Obligations of Citizenship (Free Press, 1986), a recent study of the work test and other obligations in federal social policy. I am involved in several of the groups currently studying reforms in the welfare system.

But today I want to speak more as a moralist or theologian than a social scientist. I will leave to others judgments as to whether the recommendations the Catholic bishops make in their letter are practical from an economic standpoint. No doubt, some economists will say that they are too expensive or too damaging to the free market. To my mind, such criticisms are important but not very telling. They leave the bishops occupying the high ground. They leave unshaken the assumption that at least their views are *morally* unassailable.

That's the assumption I want to question. I don't think the letter's positions, at least about poverty, are defensible even morally. In what follows I address mainly the discussion of poverty in the letter, especially long-term poverty. I don't question the bishops' motives, which are clearly well-intentioned. And I don't mean to be anti-Catholic. The criticisms I make here I would make *even more strongly* of statements on social policy by Protestant leaders, including the bishops of the Episcopal Church, which is my own denomination.

I want to make three points: the proposals in the letter would not help today's long-term poor, they are un-Biblical, and they would be unfair to the American people.

First, the bishops deny the role that the poor themselves have in creating poverty. The letter treats the poor almost entirely as passive victims of society. It speaks of them almost entirely in the passive voice. The economy is always doing things *to* them. The Catholic Church is sometimes medieval, and this analysis harks back to a static, premodern, unequal world where the opportunities available to ordinary people to better themselves were radically limited.

One need not glorify the American system to recognize that it has given individuals infinitely more control over their lives than this. One would hardly know from the letter that such things as civil liberties, civil rights, public education, and economic growth existed in

America. The bishops do credit their country with these achievements, yet somehow this does not shake their conviction that the poor are trapped by social forces over which they have no control.

In reality, individuals matter, and today's poor are often needy because of their own actions. The letter is correct that most poverty and dependency is transient, but in this and other respects its empirical analysis is very one-sided. There is an important group of long-term poor and dependent whose lives are seriously disordered. For them, economic need is a symptom of deeper difficulties in coping with daily life. It reflects the problems of illegitimacy, family breakup, crime, and low work levels that have ravaged America's inner cities.

I mention these facts not to be judgmental and not to deny society's responsibility to help. The point, rather, is that we can't help the seriously poor effectively *unless* we reckon with the behavioral aspect of poverty. Even liberal analysts increasingly recognize that it is no longer enough just to give the needy greater income and opportunity. "Helping" them also has to mean doing something to alter these dysfunctional patterns. That implies that *all* the responsibility for change cannot be society's. Some of it has to be shared with the poor themselves, who cannot escape their predicament unless they behave differently.

From reading this letter, however, one would never know that conduct played any role in the social problem. The bishops attribute personal criticism of the dependent entirely to "stereotypes." To them, it is only a prejudice to say that welfare mothers don't work, but the truth is that they do work about half as often as comparable women—that is, other divorced and separated women—who are not on welfare. The bishops note that "almost half" of poor families have members who work at least some time during the year. But why is it not much more than half, and why is it not year-round? And while it is true that the poor *want* to work, it is just as true that they work *in fact* much less consistently than other people. And this is a major reason they are poor.

Nor can this difference be blamed in most cases on a lack of jobs or other impediments in the labor market. The claims the letter makes that many poor Americans simply cannot find work are largely without foundation. Unemployment measures the proportion of jobseekers who have not found a job *they will accept*, not how many literally cannot find work. Even the poor groups

such as black teenagers, with the highest unemployment rates usually say when asked that lack of jobs is not the reason. The evidence is that jobs with substantial pay and prospects are increasingly scarce, and this poses a problem for many working families trying to maintain middle-class incomes. But jobs of a lesser kind are plentiful. Otherwise we would not have millions of immigrants, legal and illegal, clamoring at our gates. While the available jobs often are unskilled and low-paid, they usually suffice to keep families out of poverty if both parents work, as is now the norm in this country.

I don't claim that the dysfunctional face of poverty has clear causes or easy answers. Nor do the answers we have justify doing nothing to help the poor. But the bishops are not even asking the questions. Nor are theologians, to the best of my knowledge. *Churchmen simply have not grappled with the implications of widespread dysfunction for the very meaning of charity.* They still think that just giving the poor more resources and opportunities is enough to solve their problems. They seem much more interested in using poverty to challenge society than in dealing with the actual problems of poor people.

Due to the importance of these behavioral problems, government has reluctantly moved toward the idea that it must demand better behavior from the dependent in return for support. Since 1981 a number of new programs have been instituted at the state level that require employable recipients to work, look for work, or enter training as a condition of eligibility for welfare. Evaluations of the programs by the Manpower Demonstration Research Corporation (MDRC) make them look quite promising. They raise the incomes of their clients somewhat, and they sharply increase the proportion of them who are doing something active to help themselves. They promote the value of participation which the bishops make so much of in their letter. And most important, the clients themselves mostly support the work requirement and feel quite positively about their work experience.

The success of these programs is not an argument for more training of any kind. The fact that most of the new programs are mandatory differentiates them from most employment initiatives of the past. My own studies convince me that the element of obligation is precisely what makes the new programs work. "Workfare" should not be oversold; it is unlikely to reduce

dependency or the cost of welfare in the short run. But on balance it is still one of the most promising ideas to appear in antipoverty policy in a generation.

Yet this development has occurred with no support at all from the institutional church. The bishops' letter speaks vaguely in several places about the importance of work, obligation, and self-reliance by the poor, but generalities are cheap. The bishops endorse no specific requirements bearing on the poor at all. The first draft of the letter sharply repudiated the idea that welfare should be conditioned on work effort in any way. The final version is not so explicit, but plainly the bishops mean to promote work entirely by offering further incentives and opportunities to the poor. But these policies have shown much less impact on work levels than work requirements. The bishops simply do not confront the evaluation history that has caused most other analysts to question benefit-oriented approaches.

Let me turn to my second point. The bishops argue for their position on grounds that it is a Christian duty. But, in my view, the permissive policy they favor toward the poor is very different from the social ethic that emerges from the Bible, either the Old Testament or the New. It is true that Jesus shows special solicitude toward the poor. Yet he does not treat them as victims. While he calls the rich to their aid, he holds them explicitly accountable for their own offenses. He does not, as the letter implicitly does, hold them to a lesser behavioral standard simply because they are poor. He is not permissive.

Jesus solicitude, also, reflected radical differences between his world and our own. In that primitive time, poverty was much more plausibly due to limited opportunity, and less plausibly due to conduct, than it is today. On the other hand, Jesus could take for granted as we cannot that social norms bore equally on all citizens. Biblical Israel was a law-ridden society in which religious maxims governed the minutest details of life. In that setting, Jesus and the prophets naturally criticized legalistic morality in favor of a more fervent, personal commitment to God and other people. Jesus embraced the poor sometimes in ways that infringed religious norms. But he never excused them from more fundamental civilities, and he never suggested, as the letter does, that their difficulties in coping were entirely due to social conditions. For that would have denied their dignity as individuals.

The radical thing about the law of the Old Testament, and the Gospel of the New, is that they were addressed indistinguishably to rich and poor. They acted to break down the class system. They made it possible to imagine a world in which the valleys would be exalted and the mountains and hills made low. The indulgent policies the bishops recommend could have no such effect. They would perpetuate the society we have, in which government takes care of the poor but leaves them incompetent and hence unequal. For however much is done *for* them, as long as they only receive *from* others, they will remain dependent and inferior. To achieve equality, we must also require that the poor contribute to society, for only then can we be dependent *on them*. But this is just the step that the bishops refuse to take.

My third point is that the policy the bishops recommend would be an injustice to the American people. Churchmen, like other liberals, often will admit—privately—that misbehavior is one of the causes of poverty. The Catholic ethos need not be permissive. At the local level the Catholic clergy have been quite willing to enforce the social standards today's poor require. There are no more famous enforcers of order in America than the nuns and priests who run parochial schools.

But church leaders will never say these things openly. Publicly, they always put all the responsibility for social change on the better-off. When I've had the chance, I've asked them why. They tend to give political answers. They say there are reactionary forces out there in society who want to stigmatize and repress the poor. So it's necessary to defend the poor, even in a one-sided way. The safest thing is simply to keep the moral heat on the middle class.

However, these fears are groundless. I would like to know who these reactionary voices are. I don't know any serious political leader or policy analyst who seeks to exclude the poor from American society. The battle for civil rights has been fought and won; nobody is trying to go back to a segregated society. While proposals in social policy always serve a range of motives, the goal of social integration is clearly uppermost today everywhere on the political spectrum. Certainly, that is the main aim of the current workfare programs. Their purpose is get more dependent people working and hence into American life; cutting welfare or saving money is secondary.

Even among conservatives, who want to reduce the scale and expense of government, the main criticism of past programs is that they have helped to foster an underclass.

The fears also represent a serious political misjudgment. There is no reason for those who mean well for the poor to fear public attitudes. Polls demonstrate that the American people are humanitarian. Their desire to help the poor is strong. Otherwise we would have no welfare state. Their criticisms of welfare are entirely concentrated on the perceived "abuses" of the system, especially illegitimacy and nonwork by adult recipients. The polls show that if they could eliminate these problems, especially by putting adults to work, they would be willing to spend *more* on welfare rather than less. The political danger for the church is all the other way—that in blaming only the middle class for poverty, churchmen will undermine its very real interest in progressive change.

Just speaking for myself, I want to help people in need. I participate in the shelter for homeless men run by my church in Manhattan. But I deeply resent the moral double standard that informs religious pronouncements on social policy. That standard says that I am responsible for even the most distant social problem, but the poor themselves are not responsible even for the most immediate forms of personal behavior. And as an educated WASP man, I yearn to find a social problem anywhere in the world for which I am *not* held responsible by religious moralists.

The bishops would say that the public has shown insufficient commitment to the poor. But by and large, the public wants moral reciprocity rather than a release from responsibility. When churchmen and other leaders find the grace to hold the poor to the same basic standards as other people, then and only then will a new commitment be forthcoming. Justice for the poor requires fairness toward others.

Representative OBEY. Thank you very much.

Before I ask any questions, would anyone on the panel like to comment on anything any other panel members have said?

[No response.]

Representative OBEY. Do you all agree with each other? No comments? All right.

Let me ask Mr. Mead, do you really think it's fair to suggest that the—I'm trying to remember what your words were. You indicated that the bishops seemed to suggest that the poor are excepted from normal civilities because they are poor.

And you suggested that the bishops should have taken greater note of the obligation of the poor to help themselves. But, as I read the letter and the summary of the letter, it would seem to me that, in several places, the bishops take special note of the importance of self-help operations.

And I thought that the letter also—I thought Archbishop Weakland this morning made that clear in his testimony that he said that while the question of poverty had received the most public attention, that, in fact, he thought the guts of the letter related to the need and obligation of the poor to fully participate, which I assume means to contribute to as well as to draw from society.

What's your response to that?

Mr. MEAD. There are general statements to that effect throughout the letter. And the theme of participation comes through very strongly. And I would add, that's a very American theme in that respect. This is a very American document. I don't want to deny that for a moment.

Representative OBEY. You say it's a very American document?

Mr. MEAD. Yes. Because the theme of participation is one of the basic themes in American life.

Representative OBEY. I note Mr. Thurmond and others in the press release objected to the fact that most of the footnotes were not from American sources, but were from European social thought.

Mr. MEAD. I don't have that reaction at all. This is, in my view, an American document. I don't believe that the statism of it is the most questionable aspect.

These general statements, however, are unpersuasive because they don't involve any specific mandate bearing on the poor themselves. All the specific recommendations are addressed to society. The obligations rest on the better off and not on the poor themselves.

And it's that that I find unfair. And also ineffective from the point of view dealing with poverty.

Representative OBEY. Let me play devil's advocate.

I find, as a person who has often been critical of American foreign policy, I find that people often say to me, at least my political opponents, they say, well, good grief, you act as though America is always wrong and the Soviet Union is always right.

I take for granted in that field that people will understand that any thoughtful person recognizes the ethical differences between American and Soviet performance in a good many areas of foreign affairs.

Let me ask you this question: Assuming for the moment the bishops are in the same position and that they take for granted the obligation of every individual to be self-reliant if it is possible and work out of their own worm holes, then putting aside what you feel to be a question of omission, do you have specific objection to what the bishops suggest as being the social obligation to deal with the other components of the problem; that is, people who are not in a position to be self-reliant?

Mr. MEAD. I don't find that adequate because the rhetoric of rights and entitlement which permeates this document has helped to create a culture in which the poor assume that their problems are going to be taken care of by others.

My conclusion is not that we should eliminate these programs. Rather, we should change the character of them so that the recipients have to do more.

Representative OBEY. With all due respect, I could show you a hell of a lot of poor people in my district who don't in the slightest believe that they don't have an obligation to help themselves. I cannot go to a farm meeting but what some person does not break down and cry, and that person is usually working 50, 60, 70 hours a week.

Mr. MEAD. Sure.

Representative OBEY. And I can show you many industrial workers who, because of the changing complexion of our economy, the loss of manufacturing jobs—we all know the problems—are 50 years old trying to find some way to get a decent job to pay for the mortgage.

What I am asking is—let me just grant—and I don't happen to agree with it, but let me for the purposes of argument just grant that you are absolutely on the button in terms of the bishops' lack of attention to the need to speak to the poor about their obligations as well as everyone else's.

Granting that for the purposes of debate, then what are your objections to—as I read through the bishops' statement on poverty, they summarize their suggested actions as efforts to first build a healthier economy; second, to provide a greater underpinning for wages through devices such as minimum wage increase; third, they supported something which is fairly controversial, obviously, the efforts at affirmative action; fourth, they made references to self-help programs; and, fifth, they made references to a tax system which would raise enough dollars to meet the basic needs of government and which ought to reduce the regressivity of sales and payroll taxes and suggested better education for the poor.

Do you have—I recognize your objections to what you feel are sins of omission, but what is your reaction to those six general thrusts in terms of what we ought to be doing societally or governmentally?

Mr. MEAD. I just want to reply to your point about the deserving poor. There are such people, obviously. That is the transient poverty, which I am not really speaking to here and which is much less problematic from a policymaking point of view.

I am really talking about the long-term dependent. It is they who have these functioning problems. That is not true of all poor people. I would never claim that.

But there is a problematic group. That is the group that is now the focus of reform attention, with good reason.

And about the other recommendations, I would also favor some increase in the minimum wage. I think that is called for, for some of the reasons you pointed out.

But I don't believe that that is at the center of the issue here.

Representative OBEY. I don't either.

Mr. MEAD. OK.

Representative OBEY. But I think it is supplementally important.

Mr. MEAD. Sure, that is worth doing. Some of the other things are worth considering. I would be cautious simply because there could be cost limitations, and I really haven't thought seriously about that. So I don't want to take a position.

Representative OBEY. Mr. Niskanen, since you are also one of the devil's advocates this morning—and I appreciate your willingness to be so, both of you—I have to say that in reading some of the criticisms of the bishops' statement, especially as it relates to unemployment, I am reminded—and I don't have it exactly—but I am reminded of a little bit of verse that G.K. Chesterton wrote once in describing the visit that he and some of his friends made to a village.

He said, "We saw our obligations which we never could avoid, and so we sang a lot of hymns to help the unemployed."

If you have specific objection to the—well, you have already made clear what your objections are to the bishops' letter, but let me ask you, what do you believe to be a level of inflation? What is the lowest that you think we can get—not inflation—what is the lowest level of unemployment that you think we could reach through a proper management of the problem on both a macroeconomic basis and a targeted basis without generating renewed inflation?

Ms. Sawhill has laid out what she feels a proper level would be. What level do you believe would be the proper one?

Mr. NISKANEN. Chairman Obey, I don't believe that there is any long-term tradeoff between unemployment and inflation. There are policies that I think could reduce unemployment temporarily at the expense of higher inflation in the future, and so it may look as if there is a short-term tradeoff. But I see no reason or no empirical evidence to believe that we face an unemployment inflation rate tradeoff over a period as long as a decade.

I think that the unemployment issue itself should be put into two different contexts. One is that I think one of the reasons why there is much less general concern about a 7 percent unemployment rate now than there might have been in the past is that the employment rate is the highest in peacetime history and that with an employment rate of 62 percent or so, whatever we have, of the adult population there is less concern about the unemployment rate.

In prior times when we have had a 7 percent or higher unemployment rate, the employment rate has been a good bit lower.

So it does look as if there is a great deal of opportunity for access to jobs, including by the unemployment in the sense that a lot of new jobs that are being created are quite low skilled jobs and don't require a big educational or training hurdle to get into.

I think we should also recognize that a lot of unemployment is volitional or voluntary in the sense that these people could take some action in which they would be employed. They could move or they could engage in some kind of retraining or they could accept a lower wage rate.

Now, those are actions that may be costly to them, in the sense that they may have to leave their homes and leave their community—those are very real costs—but that they may have to change the nature of their occupational skills—that is particularly hard for somebody in their 50's or so to do who may have been displaced from an industrial job—and/or they may have to accept a lower wage.

That does mean, however, that there are actions that a person could do, maybe at some cost, to become employed.

I think that there is no objective basis on which one can look and say—or even a moral basis in saying that this amount of volitional unemployment should be no higher than 3 percent, 4 percent, or 8 percent. That is a question basically of how much we are going to collectivize the costs of the conditions that have led these people to be unemployed.

When there has been a concentration of industrial decline in a given region, you are more likely to have that because then people can't change from one job to the other without changing their place of residence. Those are awkward questions.

We have some amount of genuinely involuntary unemployment, and I think we should not accept any such involuntary unemployment, and I describe involuntary unemployment as a condition in which either the Government or social institutions prevent a relationship between a would-be employee and a would-be employer that is mutually acceptable to both parties.

Now, we have any number of governmental laws and programs and restrictions and restraints and whatever that create involuntary unemployment. We have a variety of social forms of discrimination that I think are grossly immoral and in combination with—and at the minimum can reduce the wage rates of certain groups and in combination with other activities can increase the unemployment of certain groups.

I think our primary obligation is to make sure that the Government and our social institutions themselves are not the agent of involuntary unemployment.

And then the question for the much larger amount of our, in some sense, voluntary unemployment or volitional unemployment. Then we face the awkward task of how much costs that the individuals themselves could bear to become reemployed are we going to collectivize through the State.

Now, I am particularly distressed by what I regard as or should have been—policies, recommendations that should have been rejected decades ago, like an increase in the minimum wage as a resolution of these problems. There are some economists and others who favor an increase in the minimum wage. I don't know of any one of them, not one single one of them, however, who would claim that this helps reduce unemployment.

Minimum wage is a barrier between workers and employers that prevents them from making a labor arrangement that is in the in-

terest of both parties, and an increase in the minimum wage by its nature will increase involuntary unemployment, the kind of unemployment that I think is the most subject to moral opprobrium.

Now, I think it is also correct that we can't explain the level of unemployment that we have right now because of the mimimum wage. The real minimum wage has been dropping for some years, associated with a continued 7 percent or so level of unemployment.

So I think that the fact that we have had higher real minimum wage rates in the past and lower unemployment rates in the past indicate that the minimum wage is not clearly the driving reason for the current level of unemployment, but that doesn't provide a justification for increasing the minimum wage which by its nature is a governmental restraint on the potential for individuals, adults, to make a labor arrangement with particular employees—or between employees and employers.

Now, that means that we have—I think we have a clear obligation not to tolerate any involuntary unemployment, in the sense that as we—operating to the powers of the Government, we should not use the powers of the Government to prevent consensual relationships in the employment market, and we should—I think that we should be careful in all of our social institutions to make sure that we do not make—we are not agents of discrimination in which we judge people on the basis of criteria that have nothing to do with their existing or potential labor force performance.

The market is going to continue to discriminate among people based upon expected productivity.

That is an essential feature of the market that you may regret, but I think it is a condition that is necessary for any kind of—for improved economic growth or economic well-being.

But we should not tolerate discrimination that is based upon characteristics that have nothing to do with economic productivity, and the Government and occasionally our social institutions are agents of that and we shouldn't tolerate any involuntary unemployment that is a consequence of that.

So that means, Chairman Obey, as is often the case, there isn't any simple answer. There is no simple number.

I want the unemployment rate, the involuntary unemployment rate to be zero. On the question of the voluntary unemployment rate, I think we have to look carefully at the relationship between the structure of unemployment and other kinds of benefits.

I think we should be willing to let people, for example, exchange their unemployment benefits for a wage voucher, a proposal the Reagan administration made several years ago with respect to extended term unemployment, to let them at the choice, at the option of the unemployed themselves take their remaining nonexpired unemployment benefits to an employer and say, look, for a period of time you get these benefits if I can get a job, to transform at their option unemployment benefits into a wage voucher.

I think we should allow States to use unemployment funds for relocation and for retraining allowances. I think that we should be willing to consider partial unemployment benefits for partial unemployment; in other words, for part-time unemployment.

The structure of the unemployment system now tends to make employment an either/or situation rather than a more-or-less situ-

ation, and I think that there are lots of things that we can do but I think that it is not helped by saying sort of what level of unemployment from whatever source ought to be our social goal.

In that sense, I think that the guidance of the Full Employment Act of 1978 really is not realistic guidance under a whole range of circumstances.

Representative OBEY. Well, I would be happy if we could get to the threshold that I think is implied by the Employment Act of 1946, which I don't think we have paid very much attention to either.

But let me simply observe because I do have more questions, but we are out of time and I want to get to Father Hehir. I would simply like to at least make a couple of observations.

Congress and the administration stumbled all over each other to try to get marginal rates, tax rates down for all taxpayers, most especially high-income people.

The fact is that marginal tax rates for people on welfare trying to get off of it are a whole lot higher than they are for people paying the highest rate in our Tax Code. They approach 100—they are greater than 100 percent in many instances, and it seems to me that we have done little in the public arena about that except to wring our hands about it.

Mr. NISKANEN. Well, I agree, Chairman Obey.

Cato has published two studies that indicate ranges of marginal tax rates for the poor from 50 to 250 percent, depending upon the particular collection of transfer and welfare services that they receive.

Now, Larry Mead and I have had a professional argument about whether one can significantly reduce poverty by work requirements, in which case I tend to disagree that work requirements themselves can contribute to that, but I think that we should be very careful about the structuring of the combination of welfare programs to avoid what is really a prohibitive marginal tax rate of more than 100 percent on many of the poor.

Representative OBEY. The other point I would like to make is that one of you—I have forgotten who made it—made reference to the Great Society and the failure of its programs to deal with some of these problems.

I would simply like to point out that in terms of today's discussions I think that argument is irrelevant, at least as I have usually heard it made, because someone as neutral as Rudy Penner from the Congressional Budget Office has indicated that the percentage of our GNP that we devote to domestic discretionary programs was at about 4.2 percent in 1962, before we ever heard of Lyndon Johnson's Great Society program.

It rose to a height of 5.8 percent under Carter. Today it is 4.1 percent, which is a lower percentage than it was before the Great Society went into effect. So we are really, at this point, not devoting significant—a greatly increased portion of our GNP to those programs. And if we just leave the budget on automatic pilot, it will decline to 3.7 percent by 1990 or so, which I hardly think is stretching the rubber band to any significant degree.

Senator Proxmire, do you have questions?

I have to say, anybody who goes and has a tooth extracted and comes back to a congressional hearing is either extremely dedicated or extremely crazy! [Laughter.]

Probably the former, in Bill's case.

Senator PROXMIRE. It's the latter, Jim, but—my mouth is numb, because—it doesn't hurt when they do these things. They just numb you, so you can't talk.

It probably should happen to all Members of Congress. [Laughter.]

Representative OBEY. Senators, too.

Senator PROXMIRE. But I would be very interested in getting your judgment, Mr. Niskanen, and the other members of the panel, about the cost of the program that the archbishop has proposed here. It is a marvelous suggestion, and when it came out, as I said earlier, I'd read it carefully, and I was so impressed that I asked both the Congressional Budget Office and the Library of Congress to try to cost it out.

Their response was, it was too general to try to cost it out, specifically, but that there were areas that they could cost out, and I asked them to do what they could at the time it came out, which I think was a couple of months ago, and I still haven't received an answer from them. I am going to persist and do what I can to get it. Do any of you have any idea what the cost of this program might be? What the increase in taxes and the best options for increasing to pay for it might be?

Mr. Niskanen, do you want to start?

Mr. NISKANEN. No. I have not made such a—and I would also doubt whether they could be made across the board, because the bishops did not specify a level of support for particular programs.

Representative OBEY. You'd have to make some assumptions, of course, in doing it, but I think in some of these areas, we can perhaps make some kind of rough estimate.

Mr. NISKANEN. I haven't made those estimates. I think it is important, however, to recognize what we may have learned or what we should have learned over the last 20 years about what types of programs are likely to be effective. The bishops, among other things, for example, recommend a substantial expansion of government job programs. We've had a very expensive, long-term record with CETA, and Congress decided to terminate CETA in 1982, I think, for good reasons, because it did not lead to any significant training on the part of the CETA recipients. The value of their services was particularly low, and it proved to be very costly, so Congress terminated the program.

Whether that is a $2 billion program or a $10 billion program, I think, is not very important, if the effectiveness is very close to zero. Now I think that it will be some while before we have a better understanding of whether the JTPA works. My own impression is that it is not working very well, but we don't have the adequate research base on it right now, but in many cases, I think we should, at least try to learn from what is now a 20-year experience of a whole range of programs of this nature before we presume that they are the solution to the remaining problems that we have.

Senator PROXMIRE. Mr. Mead.

Mr. MEAD. I just wanted to say that one thing the letter lacks is any serious evaluation of past programs. In fact, it even says at one point, we should consider a negative income tax. It quotes Milton Friedman's argument of about 25 years ago. That, I think, just neglects the entire very elaborate history of experimentation and evaluation that has, I think, convinced most analysts that that is probably not the way to go at present.

The letter, in other words, although it does have an empirical basis, is really not sufficiently thorough in its policy analysis to be very persuasive to people who are involved in these issues. And as I mentioned before, they also don't say enough about what seems to me rather more promising recent experience with these work programs.

Senator PROXMIRE. Are you folks all agreeing that there is nothing we can do about the situation? It seems to me that the bishop has put his finger on something. He called it a scandal, and it is, and it is a shame, and I think I recognize, as others do, how you can't do it through fiscal policy, just a fiscal policy in which we run even bigger deficits or with an even more expansive monetary policy.

Ms. Sawhill, do you think it is hopeless? Do we always have to live with a high degree of poverty, 15 or 20 percent of our people living in poverty? One out of two black children, one out of four white children in poverty? Is that inevitable?

Ms. SAWHILL. No, I don't think it is. While you were off conversing with your dentist and doing less pleasant things, I was suggesting some things that I thought could be done here. I particularly think we should pursue this idea of providing more work opportunities for people on welfare. I think that employment and training programs for welfare women have proven to be quite successful. In fact, there was some training done under CETA earlier, and where it was done with women on welfare, the evaluations that have been done of it show that it helped them to become more economically independent. It led to improvements in employment and earnings.

I think that a move in that direction can be done with no up-front investment of money.

Senator PROXMIRE. You say in your statement that you think a realistic goal in reducing unemployment, which is certainly a prime poverty, is 6 percent? That is awfully high. Historically. In the 1950's and 1960's, we never had unemployment as high as 7 percent at any time, even in recessions, and it got up to 6 percent once in a while.

Are we in a situation now where, at least in the near term, 6 percent is the best we can do? Six percent unemployment?

Ms. SAWHILL. I talked about between 5 and 6 percent. I don't believe you can take a specific estimate and say that is the right estimate. I think you have to talk about range. And I argued that we should move toward 6 percent and then monitor the situation carefully and gradually press further, if it doesn't appear to be inflationary.

My own view is that it is quite possible that we could go to 5 percent without it being inflationary, because it changes in various——

Senator PROXMIRE. Well, why could we get down below 5 percent in the 1950's, well below 5 percent, with modest inflation and not do it now? What's different?

Ms. SAWHILL. We rarely got below 5 percent. We did, it is true, get—without inflation, significant inflation—we did, a couple of times, get down to a little over or around 4 percent in the mid-1950's and again in the mid-1960's. In the mid-1950's, the reason we were able to do that is because commodity prices were dropping sharply, and that helped offset some inflation that otherwise would have been there because of labor market pressures. I think that is what the research on that period shows.

In the mid-1960's, we got there, but we didn't stay there very long. We did, of course, produce quite a bit of inflation in the late 1960's, and I think it came from having pressed too hard.

Senator PROXMIRE. We had the Vietnam war then going on.

Ms. SAWHILL. Right. Willingness to pay for the Vietnam war by raising taxes at that time.

Senator PROXMIRE. Now let me ask each of you, briefly, if you would comment on the suggestion in the bishops first report, at least, on the minimum wage and raising the minimum wage. We haven't had an increase in the minimum wage for 6 years, at least, and now we are talking about an increase in wages for Congress, almost doubling it, going from $78,000 up to $135,000. And for us to do that with no increase in the minimum wage, it may sound like an irrelevant comparison, but it is something that people will naturally ask about. Members of Congress have a pay that is higher than 98 percent of the people in the country. This would make it higher than 99½ percent of the people in the country. Meanwhile the people on minimum wage are making far less, in real terms, of course, than they made 6 years ago.

So starting with Ms. Sawhill and going across, would an increase in the minimum wage be so inflationary, and if so, have such an adverse effect on employment and unemployment, that it would be counterproductive, or do you think it would have some merit?

Ms. SAWHILL. Oh, I certainly would recommend you to look at what I think you are going to have to balance off some possible pluses with some possible minuses. It is quite true that, as Mr. Obey stressed earlier, a family working—with one earner working full time at the minimum wage, these days, even if it is a small family, they're still going to have an income below the poverty level. And I think we all look at that kind of analysis, and we say, surely, this is wrong, and we ought to be raising the minimum wage.

Senator PROXMIRE. Even if both have minimum wage. The pay would be—I mean, the income—the annual income would be around $6,500 at $3.25 an hour.

Ms. SAWHILL. Well, as Larry Mead likes to point out, and I have some sympathy with his point, if you have both parents working at minimum wage jobs, it is possible to move out of poverty, unless you have a lot of children.

Senator PROXMIRE. OK. If you have two children.

Ms. SAWHILL. That ignores the cost of child care, obviously. Depending on how much you have to pay for child care, so that both parents can work, your net income might still end up below the

poverty level. But the other thing I wanted to say about this is that we shouldn't assume that this is necessarily the best approach to reducing poverty. Only 15 percent of all workers making less than $4.35 an hour, let's say, live in poor families; 85 percent of them live in nonpoor families. They tend to be students and second and third earners in their families.

So it is not the case that minimum wage earners are largely from poor families.

Senator PROXMIRE. Where did you get those statistics?

Ms. SAWHILL. A report done by the Congressional Budget Office recently.

Senator PROXMIRE. Do you believe it?

Ms. SAWHILL. Yes, I do. It's consistent with studies that have been done earlier by others.

Senator PROXMIRE. I don't believe it. I'd like to challenge that. I'd like to see an analysis of that. Can't believe it. You know, the people that earn a minimum wage, it's true, and I am sure many of them are children of families that do pretty well, but I am sure that so many people, particularly when you have just the mother working, gets a minimum wage job, that there are lots and lots and lots of people who—more than 15 percent of the 108 million people in the work force—are getting minimum wage and have this problem.

Go ahead, Mr. Niskanen.

Mr. NISKANEN. I would strongly oppose an increase in the minimum wage. It would have the effect of raising real cash wages for some people, most of whom are not poor, at the expense of a higher level of involuntary unemployment and a lower level of on-the-job training for low-skilled people. I think it is an illusion to believe that you can help the poor by raising the minimum wage at which they are allowed to work without changing the labor market conditions or the productivity of these people.

If we could help them by increasing the minimum wage, I see no reason to set the minimum wage at $10 an hour or $20 an hour. There isn't any threshold at which this presumed beneficial effect stops, and I think that is the wrong kind of tradeoff. It restricts the opportunity of some people to make a labor arrangement in the labor market. It restricts the incentives of employers to provide any kind of training, and it increases those people who are most likely to keep their job at a higher wage. It improves their well-being, and they are less likely to be poor.

Senator PROXMIRE. Do you think we should eliminate the minimum wage?

Mr. NISKANEN. I would eliminate the minimum wage. There is a variety of other things that I think can be done.

Senator PROXMIRE. Eliminate it. I am not talking about just—cut it out entirely. No minimum wage. People can pay whatever they can get.

Mr. NISKANEN. Now, in fact, of course, what we have observed as the real minimum wage has been dropping now for some years.

Senator PROXMIRE. Unemployment has been increasing while it's been dropping.

Mr. NISKANEN. Well, the unemployment rate, basically, is the same as it was 6 years ago. Right now it's 7 percent in 1980 and 7 percent——

Senator PROXMIRE. That's not my understanding. The unemployment rate is higher now than it was in 1980.

Mr. NISKANEN. Well, I don't want to argue about specific statistics. I remember what it was in January 1981, and it was 7 percent or 7.2 percent or something at that time. But the composition has changed a bit too. There are a variety of other things we can do. I think we can recognize that even countries that dedicate a great deal more of their resources for redistribution to various groups, many of those countries do not have minimum wage. It is almost a uniquely American approach. But I also think it is an illusion that we can somehow legislate wealth by restricting people's opportunity to make an agreement with a potential employer. By that, I think it sets a false perspective on what it is, what it takes to create wealth.

Senator PROXMIRE. Well, on that basis, do you think we should also—not abolish unions. I am sure you wouldn't approve that, but follow a policy of doing our best to discourage unionization?

Well, that does the same thing minimum wage does, doesn't it? Doesn't it lift the wage higher than the market would provide? Isn't that its purpose?

Mr. NISKANEN. In some cases, unions do that. I think that the policy of government, however, should be neither to discriminate against nor in favor of unions in labor bargains. If I were a coal miner in an isolated community, I would very much want to be represented by a union. I think that the problem of governmental—I think that the Government shouldn't reinforce unions, but I also think the Government shouldn't necessarily try to undermine them. They, in many cases, are fouling their own nest these days, I think, for reasons of their internal political decisionmaking within the unions. But that is something that I think the Government should neither discourage nor encourage.

Senator PROXMIRE. Well, since 1935, the Wagner Act, which put the Government squarely on the side of unions, you think, has been a mistake? We'd be better off——

Mr. NISKANEN. I think the Wagner Act was a mistake.

Senator PROXMIRE. Yes. Mr. Burtless.

Mr. BURTLESS. Well, from my knowledge of this minimum wage, I would say that there is broad agreement among economists who have studied it, that if you raise the minimum wage it will, indeed, raise the incomes of people who remain employed and who are earning low wages, but at the same time, there will be disemployment effects. My understanding of the specific evidence is that among adults, the disemployment effects would not offset the earnings gains. In other words, the total amount of money going to adults paid the minimum wage would go up, as a result, but among teenagers, probably employment would go down so much that the total earnings of teenagers would decline.

And furthermore, it is true, I think that it's an antipoverty policy, as Belle Sawhill just said, it's not particularly an effective one, because the earnings level losses of those who lose their jobs are, of course, quite large, and the earnings gains of individual

people who get a minimum wage increase are fairly small. So you are more likely to be forced into poverty by a large earnings loss than a modest earnings gain.

So it is probably not a great antipoverty policy. But I think that the concern with the minimum wage is, in a way, the correct emphasis, because it points up the importance in the United States of the wage distribution as generating the large amount of poverty that we have in our country. The wages are very unequally distributed here, compared to other advanced industrialized countries. And, consequently, if we want to improve the well-being of people who are workers, we should aspire to raise the earnings of those who earn the least.

I don't think raising the minimum wage is the best way, but I will make a suggestion, and that is, that the Government seek to provide wage subsidies to people who have family responsibilities and are very poorly paid. An approach such as the earned income tax credit, but one that is more carefully targeted on actually trying to raise poor families above the poverty line, seems to me to be a very attractive alternative to raising the minimum wage.

We don't want to cause massive disemployment among workers of McDonald's, and so forth, because these people have a legitimate right to their job, but I don't think it pays society much to raise their earnings, when, really, we are concerned about families that are in poverty, not individual kids who may be secondary or tertiary earners in a family.

Representative OBEY. Let me just interject on that by noting that my experience has been that a lot of the employers I've talked to, industries such as the one you've just mentioned, in fact, are paying people more than minimum wage because they're having difficulty attracting people at the minimum wage these days.

About 8 months ago, I was at a conference of fast food operators, national conference, and talked to them and was very surprised to hear that most of them felt that they could no longer attract sufficient workers at the minimum wage to employ people in places like McDonald's.

Mr. BURTLESS. Well, there's two explanations. One is the minimum wage has declined. And so, given the wage distribution, you would expect over time that fewer people would be right at the lowest point in the wage distribution.

Two, there is a shortfall of teenagers because of the baby bust that occurred after the baby boom, so that there are actually fewer young people around to work at McDonald's.

And, third, a lot of the fast food outfits that do pay above the minimum wage are in areas with extraordinarily tight labor markets—the Boston metropolitan area, the Washington metropolitan area—and it is probably not difficult to find people to work at the minimum wage in parts of Texas that have been badly hit by the oil bust.

Mr. MEAD. I would say two things. First of all, raising the minimum wage is not very important. But, second, I would do it.

It's not very important, first of all, because these calculations from the minimum wage to annual income are unreal; as has already been mentioned, most people who work at the minimum wage are not heads of families. They're secondary workers. So it

doesn't have any direct connection to the overall family income in many cases.

Also, very few people stay indefinitely at the minimum wage. That's a beginning wage, after which one typically gets a better job or gets promoted in some way.

Average wages, I think, are more important at the bottom end than simply a minimum wage. There's a misconception that low-skilled people always go to work at the minimum wage. Even in welfare, in work programs up through the recent period, the wages that they go into are typically above minimum wage. This is for totally unskilled welfare mothers.

So I don't think it's very important. I don't think it determines the actual wage distribution. I think the overall wage is more important.

But, second, I would still raise the minimum wage because it's important, and it sends a signal that we're concerned about the overall level of earnings that people get when they work.

One reason why one can raise it, I think, with minimum cost and unemployment, as has already been mentioned, is that the labor market is getting tighter. Average wages, even bottom wages, are rising. There's no harm if we raise the minimum wage up to the bottom of the level that employers are already paying.

Also, reservation wages are high. There are a whole lot of people, even unskilled and unemployed people, who will not work at $3.35 because they have other sources of income.

That's one reason why the policy of requirements is necessary in order to produce a greater work effort. In general, I think, we've confused two separate labor market problems which are separable.

One is unemployment or nonemployment, where people are not working at all for various reasons, including the reasons as Bill Niskanen has indicated, that unemployment is often very soft and voluntary. That's one set of problems. And the other is low wages for people who are working.

I think the causes of these are quite separate, or reasonably separate. Roughly speaking, nonemployment is due to problems of motivation and preparation that we associate in part with long-term dependency and to people having alternative sources of income of all sorts, including family income.

Low wages are due to the changes in the economy that you've mentioned, Mr. Chairman, the fact that there's a decline in manufacturing wages and a rise in service jobs that pay less.

I think that it's the low wages that more clearly have macroeconomic causes.

Also, they have different consequences. I would say nonemployment is the main cause of poverty. It's seldom the case that people who are working are poor, even at the lowest wages. The poverty rate among families who have earnings is very low, much below what we find for the country as a whole.

I would say that nonemployment leads to poverty, and low wages leads to inequality, or an uneven wage distribution. Those problems overlap obviously, but they are significantly separate.

And it's on the first point, namely, nonemployment, that we have to have work policies of the mandatory kind we're talking about in welfare.

The second point, low wages, is where you can talk about various policies to redistribute income or change the wage distribution.

Roughly speaking, nonemployment is the Great Society and compensatory policy problem. Low wages are a New Deal policy problem, which responds to some of the measures that were taken in the thirties or alternatively to free market alternatives to those measures.

It's on the second problem, low wages, where the party debate about scale of government and how much to trust the market is relevant.

But, on the nonemployment issue, I think you have to look at these new policies that we're seeing in welfare.

Thank you.

Representative OBEY. Thank you. We're running out of time, Mr. Burtless, if you have a very short comment. I see you raising your hand. We have to move on.

Mr. BURTLESS. Maybe it was inadvertent. I would just like to register disagreement with one thing Mr. Mead said. In fact, there are millions of families where there are full-time year-round earners in the United States that are, nonetheless poor.

It is just not the fact that the hourly wage distribution in the United States guarantees the people who want to work and have a great incentive to work and a great capacity to work can earn an income that brings them above the poverty line.

Representative OBEY. OK. On that note, thank you all. I appreciate your participation. And we next turn to Father J. Bryan Hehir, Secretary, Department of Social Development and World Peace of the U.S. Catholic Conference.

Father, we've heard the presentation of Archbishop Weakland this morning, and we've heard response from a number of economists.

I guess what I'd simply like you to do is simply sum up and make any comments you'd like to make in response to everything you've heard before you this morning.

STATEMENT OF FATHER J. BRYAN HEHIR, SECRETARY, DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE, U.S. CATHOLIC CONFERENCE

Father HEHIR. Well, that's an unenviable task, Mr. Chairman. Let me express my appreciation for being able to appear. I don't know if I appreciate the task you've just given me.

But, if you and Senator Proxmire will bear with me, I will try and make some comments that will bring some things together.

Essentially, what I thought would be useful to do was to attempt a summary and response to some major points that were made, and then to comment briefly on the future. This committee faces a new Congress, a new session.

The bishops conference, now that it has passed this letter, faces the task of trying to translate it into some guidance on legislation and policy, which we do as a normal course of events. And I thought I might say a word about how we look at the upcoming session of the Congress and where the letter might intersect with

the concerns of this committee or some of the other standing committees.

I think the first point to be made about this morning is that this hearing is an example of exactly what the bishops hoped for when they wrote this pastoral letter and, indeed, when they wrote the pastoral letter on the nuclear question.

The function of these pastoral letters is precisely to catalyze the larger debate—in the church and the wider society. But to catalyze it from a very specific angle of vision.

The bishops are crucially aware that they are neither economists nor strategists, but they are bearers of a larger moral religious tradition. And their hope is that by introducing perspectives from that tradition into the wider societal debate and into the discussion within the Catholic Church itself, we can force issues in the policy debate to the forefront that might not otherwise receive sufficient attention.

Now, the nature of the argument of the pastoral letter is that it is principally a religious, moral argument, as Father Hollenbach has indicated, but there's a particular view of the intersection of religious-moral argument and empirical analysis that sustains this pastoral letter.

We view moral argument as complementary to empirical analysis. That is to say, moral argument doesn't tell you everything. But, on the other hand, moral argument can tell you something that a purely empirical analysis will not tell you.

Now, it is precisely that intersection of a complementary view of moral-religious argument on the one hand and empirical analysis on the other that has been the thread that has run through the hearing this morning.

Let me comment on three issues that I see have been raised, particularly by the panelists commenting on the letter.

One is precisely the relationship of ethics and empirical data.

The second is how one reads the Scriptures.

And the third is what I would call virtue and social policy.

Father Hollenbach has laid out the question of how we see the intersection of ethics and empirical data. The bishops want debate about their moral argument, and they want debate about their policy prescriptions.

We have had the debate already so far and there was more of it this morning.

Without trying to speak for all the bishops, let me try and make a summary statement.

I think our view is that we've received sufficient support for the moral insights of the letter and, indeed, for many of the policy proposals that there's no compelling reason to forsake them.

At the same time, we've received sufficient criticism to know that the step from this letter to social policy is still a long and painful step. Let me illustrate by the debate this morning.

Several issues were raised in the last panel that illustrate the intersection of ethics and empirical data. Let us take the minimum wage question.

Clearly, empirical differences existed on the panel and maybe surprising empirical differences. Ms. Sawhill, who was overwhelm-

ingly positive about the letter as a whole, had some doubts about the minimum wage proposal.

Mr. Mead was somewhat less enthusiastic about the overall design of the letter, but supported the bishops' proposal for raising the minimum wage.

Now let me say that the bishops agree that the minimum wage question is not the central issue in dealing with poverty. But I think it's important to look at why the bishops take a position on the minimum wage for, indeed, it goes back a long time in Catholic social teaching, almost a century now.

Leo XIII argued that precisely the situation that Mr. Niskanen referred to, the freedom of workers to enter into contracts with employers, that that situation should not be accepted at face value for it is a very uneven bargain.

The position from which the employer bargains and the position from which the individual workers bargain was precisely the reason why Leo XIII argued that society ought to enforce a minimum, that human work should not be simply something bartered on the marketplace, that it involved the dignity of the human person, and that society had a responsibility to ensure that the dignity of the human person invested in human labor ought to receive an adequate recompense to support the person. And, indeed, he argued, the family of the person.

So while we are entirely open to the empirical analysis around the effects of the minimum wage, there is also a moral point in supporting it.

In passing, let me say to Senator Proxmire it is precisely the moral point why the church decisively supports legislation supporting unions.

The argument that individual workers can bargain successfully with employers without the intervention of some organized entity has been viewed as a dubious proposition in Catholic moral teaching for a long time. We have supported the fact that the society should support the right of people to organize into unions.

Second, the question of economic rights came up. Again, the intersection of ethical and empirical data; Mr. Niskanen indicated that, indeed, to achieve this, one would have to garner support in the society which he felt could not be garnered.

Let me just indicate that what the bishops say is not that the notion of economic rights ought to be imposed on American society. They do say that it has been a long and sustained conviction in Catholic moral teaching, and I'll indicate why in a moment, that economic rights are indeed of equal value to political and civil rights.

But then the bishops called for a debate in American society to develop a consensus sustaining the idea. So, once again, the function of the letter is not to impose. It is to suggest, provoke, raise up and force the debate on issues that do not get adequately debated at times.

Let me come to the question of how one reads the Scriptures as one looks at economic justice. To some degree, there is a general ecumenical problem here that is evidenced in the comments of Mr. Niskanen and Mr. Mead. That is to say how one reads the Scriptures.

Catholic teaching never reads the Scriptures in isolation from a larger reflection on the fact that the Scriptural data leads outward toward conclusions that can be drawn on the basis of non-Scriptural evidence.

And so simply citing the Scriptures really doesn't take this letter seriously. The whole first part of the letter is a mix of Biblical insight combined with rational, philosophical, moral analysis. And if one were to eliminate the philosophical, moral analysis about human dignity, human rights and duties, standards of justice, one would not simply eliminate this letter, one would eliminate the body of Catholic social thought reaching back for the last century, and possibly reaching back through St. Thomas.

A good part of the *Summa Theologica* is not simply a reflection on the Scriptures, it is precisely the kind of rational analysis that is in this letter.

So we have an ecumenical problem, and that's part of the wider debate. However, I think, even within an ecumenical context, I would claim that we were presented this morning at points with a highly individualistic reading of the Scriptures, a highly individualistic notion of what Jesus taught and what the Scriptures indicate.

Now we try to lay out in the letter a little different view of what the Scriptures imply. Clearly, there is no substitute for the unique fact of the human person. Persons are redeemed, persons are saved, persons sin, persons exercise responsibility.

But I submit that running through the Scriptures is a wider social vision. The Prophets of Israel spoke in social terms. The Prophets of Israel said: The character of Israel's faith would be tested by the quality of justice in the society. The quality of justice went beyond personal, individual exercise of virtue.

The Prophets asked what the wages were that people were paid, who owned the land, and they indeed called for measures to redistribute wealth when it seemed to be overly concentrated.

I submit that the consensual approach of the interpretation of the Scriptures would argue that Jesus took the prophetic tradition seriously and that while he wasn't concerned only for the poor—there is no question of that, and nothing in the letter of that kind—that Jesus did speak about the poor and the responsibilities individually and socially of others to the poor.

And so I submit we have some debate here not just on the minimum wage and empirical outcomes, but about how one reads the Scriptures. But that will be inevitable in a pluralistic society.

The bishops seek to sponsor, foster and participate in that debate.

The Scriptures are read in the Catholic tradition in light of rational reflection on the Scriptures and human experience. This theme is evident in the way the pastoral letter establishes the person as the measure of the workings of an economy in moral terms; we surround the person with a spectrum of human rights and judge society by standards of justice. These criteria are rooted in the Scriptures but developed by rational reflection.

If that is taken out of the letter, we are left with a very, very fragile and feeble moral framework to judge something as complex as the American economy.

The point about the relationship of the letter and social democracy is probably a point that ought to be commented on. I think it is less than the letter claims social democracy to support its views than it would be that much of social democracy as it developed in Western Europe had a lot to do with Catholic social teaching.

People who formed social democracy in Western Europe drew upon Catholic social teaching to frame their views.

So I'm simply trying to point out that there is a way of reading the Scriptures here that is at issue. And that a highly individualistic reading of the Scriptures in the Catholic tradition cannot be sustained; I submit in the majority of the Protestant tradition you would also have difficulty sustaining it. And the Jewish commitment to the Prophets, seems to me, to make unfertile ground for an individualistic reading of the Scriptures.

There is thirdly the question of virtue and social policy, an enormously complicated question raised most forcefully by Mr. Mead.

Now, again, I think it's probably important that this letter be interpreted in the wider Catholic tradition. That wider Catholic tradition is essentially an ethic of virtue. We stress duty over rights.

The argument in the letter about rights is that rights flow from duty. The first thing you say about the dignity of the person is about the duties that the person owes to God and to others; rights flow from duties.

What is often today called an ethic of virtue or an ethic of character is precisely the dominant ethic of our tradition.

Now there still is the question of how you interpret an ethic of virtue in social policy. And, here, I'm consciously trying to join the debate, as I was asked to do. I think the assertion was made that the fundamental problem in poverty is the dysfunctional aspect or the character of the poor which needs to be analyzed.

I would suggest that the Catholic tradition stresses virtue and the need for it in every member of society, and that's the presumption of this letter—rich and poor—that Catholic tradition is reinforced, I think, by Catholic experience.

It is precisely the experience of bishops as pastors and Catholic social service agencies, which literally cover every mile of territory in the United States, precisely the experience of those agencies and those pastors that would make us restrained in our enthusiasm of a notion that the primary problem of poverty is the character of the poor.

Now the question of virtue in the economy, I suspect, is a question that needs to be stressed. But it needs to be stressed in universal terms. I would suppose we ought to be concerned about the virtues of the poor and the virtue of Ivan Boesky also.

For the question of virtue in the economy is not confined to one group of the society. I'm not trying to be sharp or cynical. I am trying to highlight why there was some concern about stereotyping of the poor in the first draft of the letter.

The inclination to stress virtue in the economy is an inclination that sometimes fall with some unreasonable weight upon the poor.

And the question of participation in the economy I think is central to the letter. And, therefore, we would not be unsympathetic to the themes that generate the discussion of virtue in social policy.

That is to say, the letter argues that the way you deal with poverty in the long term and comprehensively is by allowing and creating the condition for everyone to participate.

Now, I think it is probably right that you could argue about whether we would come down on the side of incentives versus requirements in the workfare program. And we may divide on that on both empirical grounds as well as moral grounds.

I come from Massachusetts and that doesn't enhance my economic insight at all. But I would like to point out that the workfare program in Massachusetts is voluntary, not obligatory, as I understand it.

And that one of the things that makes it work is that you have a growing, vital economy where jobs are created and where the wages are above minimum wage.

And that we have not found it difficult to get people to be interested in taking those jobs.

Now, we do have some other concerns that are also ethical. It is true that over half the mothers in the work force work, but it is also true, as I understand it, that of mothers of children under 3 only 27 percent work.

We do have some concern about poor mothers who have young children being forced to work. That is a strong, family-oriented concern of Catholic teaching.

Catholic teaching indeed could be argued to be almost excessively emphatic about virtue. We have a terrible problem in our nation with teenage pregnancies, and the stress today is often on virtue and there is a need to stress virtue.

But I think you would not find that lacking in a Catholic ethic. Catholic sexual ethics have hardly been known for flexibility, and the emphasis on responsibility in sexual behavior and family life is presumed by this letter, and indeed a paragraph points to it.

So my point is not to pass off criticisms blithely. I want to join the argument as sharply as I can because I respect the seriousness with which the commentators this morning have taken the argument, and so I think I am just trying to point out that the debate is going to rage across both empirical outcomes and ethical insight.

Let me make two final sets of comments about the intersection of the letter and the congressional agenda.

It seems to me there are two particular areas of the congressional agenda where this letter will at least touch and intersect with your concerns. One will be the question of the Federal budget; the other will be international economic policy and interdependence.

Once again, the attempt here is to bring some themes to the debate. The budget debate, it seems to me, is marked by the fact that the enormous reality of the deficit means that the budget debate in the United States today really is a zero-sum game, that the Congress faces a zero-sum game in the budget debate in a way that it has not in past years, and when we get into that zero-sum game of the budget debate, I think the importance of trying to join the nuclear letter with the economics letter as a kind of framework for analysis can be helpful, for obviously one of the first tradeoffs is defense versus nondefense spending.

Let me say in parentheses here, obviously, I haven't touched the taxation question, which changes the zero-sum nature of the budget debate, but for the moment I will leave that alone.

As the Congress faces the debate today, you have the tradeoff between defense and nondefense spending, and it is clear there is no spare change in the American Treasury. To take a dollar from one side is to not have it on the other.

Catholic teaching understands the need for national defense and national security measures, but it is a question of how you measure those and measure them against other needs in the society.

As we approach the budget, I think the letter tries to say, first of all, our primary objective is to protect the poor. The thrust of this letter is to say that human dignity requires a floor of minimum welfare to protect human dignity—once again a difference between ourselves and Mr. Niskanen.

The letter does not say, as has been asserted this morning, that human dignity is to be equated with material well-being. The letter does say that human dignity requires a level of material well-being to protect the dignity that deserves respect.

Now, the floor is a concept that Congress has already tried to deal with. I simply want to bring it back up again and reinforce it.

Second, we try to propose in this letter criteria for choices as one tries to choose in the budget debate.

For example, in the defense/nondefense spending argument we have in testimony before the Congress argued that the Congress ought to bring two criteria, general criteria, to bear upon proposed weapons programs. That is to say that a weapons program of questionable strategic value, highly debated strategic value, which is certain to cost large amounts of money, should be met with a presumption against the program.

I take as the classical example the MX: highly debated across the board about its strategic value in terms of safety, in terms of arms control significance, and very significant cost. It was for that reason that we argued against the MX.

I take it the SDI will be a very similar debate, highly questionable because of both strategic reasons and cost; here I am not making a final judgment on it. The bishops have a committee looking at it and they will look at it over the next 6 months and put out a report in November 1987.

In a zero-sum argument, one ought to look at those kind of criteria in making choices.

Let me turn finally to the question of international economic policy and interdependence.

I simply want to point out that the context for the whole view of international economic policy is the fact of increasing interdependence. We take that concern and that emphasis on interdependence from papal social teaching.

Now, the situation of interdependence is that in the international system we are becoming increasingly interdependent on a whole variety of fronts. Factually, we are interdependent. What is radically clear is that we are not morally interdependent. We are being pushed together as nations and people, but we have not developed rules and relationships that allow us to live in interdependence

with any sense that we constitute any form of a human community.

Now, when we try and deal with international economic policy, we try and lift up certain cases to illustrate our concern about what ought to direct American foreign policy in an increasingly interdependent world, and I would have to say the primary comment of the letter is not economic at all. It is about political vision.

The emphasis of this letter is on U.S.-Third World relationships. There is nothing in this letter on major aspects of economic policy, like what do we do about German steel or Japanese Toyotas. We didn't deal with those issues.

The bishops felt the major moral problem was First World-Third World questions, and the primary argument made in the letter is that the most significant thing about international economic policy toward the developing world in terms of questions like foreign assistance and the debt question, which we chose to look at, is the way in which the North-South problem, First World-Third World, is today seen excessively and increasing from an East-West dimension.

In other words, Third World nations are treated less as significant in themselves than they are as pawns in the East-West argument.

We have no doubt that you need a larger geopolitical framework to deal with political-strategic and political-economic questions. But there is a way in which imposing the East-West framework as the first design on the North-South problem reduces developing nations and particularly people in them to pawns in a larger struggle.

We have argued our case before the Congress that it is precisely that East-West prism that distorts Central American policy and Southern African policy. But I submit it also distorts foreign assistance policy.

The point has already been made that two-thirds of American foreign assistance last year was military or security related. There is a shift here from foreign assistance as assistance to foreign assistance as security assistance in the most narrow definition of security.

Now, I raise the point because I think—I agree with the Chairman—that it is very difficult to think about a change in this, but the change is not a function of dollars in the first instance. It is a perspective question. If you define security as military security, define it narrowly, then who gets foreign assistance and under what conditions are already set in concrete in those categories, and we will continue to have a foreign assistance program that is essentially a military assistance program.

That places, as the chairman knows, enormously painful choices before Congress in the last days of a session when you start looking at sub-Saharan programs or African programs or food programs after the military component has already been set in place in the budget.

The debt problem is of a very different nature. It is not seen as a humanitarian problem. It is a macroeconomic problem of the highest order. It illustrates increasing interdependence in the world. It illustrates how the fragility of the Mexican or Brazilian economy can make Wall Street shudder because of the connections.

The letter tries to be modest about its view of the problem and what we could contribute. One of the things we tried to contribute was some sense of history about it. It is southern debt, but it is not, I submit, totally a southern responsibility. The creation of the debt was a mix of an aggressive attempt to recycle petrodollars and a rather willing set of governments in developing countries, hardly democratic in many instances, to take on debts that their people had no possibility to comment on.

Church leaders in countries like Brazil make that point and then come to the U.S. bishops and ask that we bring some historical perspective to how this debt was developed.

Our point is not to try to outline a blueprint of a response, but to simply say that the scope of the problem is a macroeconomic problem which becomes political because it is so macro, and therefore using micromanagement—business as usual dealing with the debt—even in moral terms, but also in political terms seems to us unwise.

These are simply examples. As the Congress goes into the next session, we think the letter does say something that might be helpful at various points, but it hardly gives one a policy, and we are entirely sympathetic with precisely the kinds of painful choices that the interdependence of the world economy and the complexity of the American economy pose for legislators who must legislate and make choices.

Our hope is we are one part of a debate that leads to a helpful outcome.

Thank you.

Representative OBEY. Thank you.

Senator Proxmire.

Senator PROXMIRE. Well, Father Hehir, I am, I must say, overwhelmed. That was a marvelous presentation. You seem to have done most of it, as the chairman mentioned to me, on the basis of notes you took while the testimony was going on, which is even more impressive. Too bad you are not a member of the U.S. Senate.

Father HEHIR. The Pope has very strong views on that question. [Laughter.]

Senator PROXMIRE. Well, I am not so sure. As so often happens with the Pope—well, I had better not get into that. [Laughter.]

Father HEHIR. I hope not.

Senator PROXMIRE. Let me ask some specific questions here. I think the specific answers can be most helpful to us.

Do you have any position on what we should do about the issue that was raised a little earlier about the Great Society?

There are arguments on the part of some people that it was a failure, on the part of other people that it was a good beginning, that Vietnam had a lot to do with the fact that it didn't succeed.

Would you go back to that program in whole or in part; if so, in what part?

Father HEHIR. I think I would answer the question in two steps. First of all, the level of an unprincipled assessment of the role of the Government in addressing social questions and particularly questions of injustice and poverty and then, second, the empirical analysis of how programs work.

Very often people will say we agree with the bishops' moral concerns and we disagree with their policy prescriptions, and then policy prescriptions are cited in terms of calling in the Government too often.

I think that distinction is too neat. It hides a difference of view about the moral responsibility of the State or of the Government. Catholic teaching is very strong that the State is not a neutral element in society, that it is not true that the State that governs least governs best, and that the State has positive moral obligations.

Second, Catholic teaching does not say that you reach for the State as the first court of resort or your primary court of resort. But it does affirm—for example, as the Employment Act of 1946 affirms: Full employment is the goal, and if you can't get it in any other way, the State has a moral responsibility to enter.

So I would strongly affirm the notion of a morally responsible State, which I think stood behind the Great Society.

I think then you have to distinguish different programs, and I am perfectly open to evaluation—and I know the bishops are—across the board.

Third, I would make one final comment. I think the State has the ability to do certain things that no one else can do. It may not be very good at doing other things that others can do.

Raising resources for programs is a fundamental necessity, it seems to me, in an industrial democracy when you are trying to address injustice. The State can raise resources in a way no one else can.

Second, the State may not be in the best place to micromanage programs, social programs. Catholic agencies, for example, try to cooperate with the State on a variety of programs.

In my archdiocese we had an extensive program in the 1970's in low and moderate income housing that drew on government money as seed money and then translated into housing programs, not only in the inner cities but in some of the middle and upper income suburbs where we cracked the zoning code.

Today that money has all dried up, as you know. There is no seed money in housing to draw upon.

And so I would argue that the moral responsibility of the State is there. We need an aggressive State vis-a-vis injustice. But it is not the first court of resort, and you have to combine it with other private sector initiatives to make things go.

I am sorry I took so long.

Senator PROXMIRE. No, no, that is fine.

As one that comes from Massachusetts, they have had a remarkable experience. As you know, a few years ago they had the highest unemployment of any major State in the country. Now they have the lowest.

What lessons can we learn from that, and do you believe that the Federal Government could get unemployment down as low as it is perhaps in Massachusetts nationally without an inflation result that would be something we just couldn't live with?

Father HEHIR. Well, I have been watching Massachusetts from the distance of Washington, so I really wouldn't want to claim too much.

It seems to me that it has been a mix of a dynamic economy, but it had certain conditions about it. The high level of education combined with the strong technological bent of the economy in Massachusetts was a happy mix.

However, some of that was attracted into the State. I come from the Lowell area, where unemployment was 13 percent when I came to Washington. It is under 3 percent now, and that has a lot to do with the private sector, and this pastoral letter says that there is no long-term answer on job creation without the private sector.

Senator PROXMIRE. Well, you see, my question was is that having an effect on wages in that area that is inflationarily explosive, or explosively inflationary?

Father HEHIR. I would be glad to answer that question for you when I look at it more carefully. I couldn't answer it off the top of my head, Senator. I don't know.

I would be glad to get that data.

Senator PROXMIRE. Now, you mentioned a work force program, which is, you said, voluntary?

Father HEHIR. As I understand it—I mean at a distance, 500 or 600 miles—the thrust of the program is less mandatory than it is voluntary, as I understand it, and that emphasis is on education and training, and then there are jobs available.

Senator PROXMIRE. Would it be wise for us to try to apply that nationally?

Father HEHIR. Well, I hesitate to give macro answers.

My sense is that I agree that you have to help people to be able to participate. Mandatory programs across the board I think run into some other problems in terms of Catholic teaching, as I have indicated, about families and mothers.

It seems to me it would be a useful way to explore. I would really hesitate to tell you you ought to do it because I just don't have the empirical data to say that. But I think I like the lines of it, as I understand the program.

Senator PROXMIRE. One final question. I think there has been a tendency on the part of many in the Congress and in the country to feel that we don't have much of a choice as far as military spending is concerned. I don't know anybody—conservative, liberal, hawk, dove, or whatever—who argues that we should spend money on defense in order to provide jobs, that we should spend money on defense strictly to defend our country.

Father HEHIR. Yes.

Senator PROXMIRE. And we do whatever we feel is necessary and we try not to waste it, although obviously when you spend billions—hundreds of billions of dollars on any program or in any area you are going to have a lot of waste.

I am not sure that I understand how you argue that you have that defense and nondefense problem and how you can work it out on any other basis except to say we will spend what we have to spend on defense and then we will do what we can in this other area based on the need, and so forth.

Father HEHIR. Well, again two steps, I think, Senator. I think, first of all, it is true that the driving force in the defense budget is the nature of the threat one perceives and the nature of the requirements of defense of American society.

I think the thrust of the letter that the bishops wrote on the military—on the nuclear question was to say we ought to look carefully at how we evaluate the threat and how we evaluate our needs, and that is why I was trying to move one step down to certain criteria for policy choices.

For example, no question that in the present situation the bishops acknowledge the need for deterrence. They give it "conditional acceptance," but they acknowledge it. That doesn't say anything about the character of the deterrent, the shape of the deterrent.

And again if I can just use for the sake of simplicity the MX, one is talking here about a program that under extended debate it seems to me is at least standing on fragile ground, and on that fragile ground we have already proceeded with the deployment of 50 missiles authorized, when the argument on arms control grounds and on strategic stability grounds seems to me to be highly critical of the weapon.

I am trying to use a case to illustrate a point. My point is there were good arguments on the table not to go in that direction, and that money wouldn't necessarily go into food stamps, but you have to have some limiting principle about what you are going to spend on defense in terms of evaluating program after program.

I am talking to the choir in talking to you, but I am talking about strategic criteria.

I think we face an enormous decision about the SDI, and because it is so complicated that is why the bishops are spending time on it right now before they say anything publicly.

But let's look at the long-term cost of that compared to its impact, its impact strategically on stability, its impact on technological feasibility, its impact in terms of cost, in terms of even other defense measures.

I am not willing to make a final judgment. I am saying that kind of debate shouldn't simply presume that we are going the SDI route or 50 more MX's are required for the defense of the country.

If these programs are scrutinized, you at least have a little more running room, it seems to me, in a zero-sum game on the other side of the ledger. It doesn't mean necessarily the funds would go there, but at least you have something to deal with.

Senator PROXMIRE. The chairman has permitted me to ask just one more quick question.

You spoke, as I said earlier, with, I think, great inspiration and authority on—obviously, with a great deal of work—on the nuclear problem we have, the nuclear threat. The situation we have now is that both the head of the Soviet Union and the President of the United States have talked about abolishing nuclear weapons from the face of the Earth. The head of the Soviet Union says by the year 2000. President Reagan says we can make them obsolete.

A group of six scholars at Harvard 4 years ago said this is nonsense, in effect. Living with nuclear weapons, they said, you have to learn to live with these things. It's very hard, but it's part of being mature, like accepting the reality of our death.

Father HEHIR. Yes.

Senator PROXMIRE. Do you—or does the church, the bishops, have any position on the notion that we can abolish nuclear weapons from the face of the Earth or that we should practice—you men-

tioned deterrent. That's what triggered me with this question. We have to rely on deterrent and accept the world in which we live.

Father HEHIR. Well, the authorization, moral authorization given deterrence was very, very precisely crafted. It was called "conditional moral acceptance," and there were conditions placed on the acceptability of deterrence as a morally acceptable strategy; however, it did come down on that side rather than to condemn it all out.

Second, the letter proposed as a goal to rid the world of the nuclear threat. It proposed that as a goal. It specifically did not, as Chairman Gorbachev did or President Reagan, put a date on that goal. That probably is because of our belief in original sin. It makes one more modest about setting goals.

Third, it then talked about a series of steps that one needs to proceed toward that goal. It seems to me that the levels of strategic weaponry today, and numbers are not the most important element, as you know—it is the character of the weapons and the possibility that they threaten what is called in the trade, "crisis stability" or "arms race stability." It is the character of the weapons that seem to be going in the wrong direction today. We move increasingly into threats to nuclear stability, even as a short-term goal.

So the numbers are unacceptable, but the character of the weapons is also increasingly unacceptable. I think the goal is to rid the world of a nuclear threat. Call that no nuclear weapons. That is the long-term goal.

The middle-range goal, it sems to me, is to cut substantially both numbers of weapons and, specifically, numbers of weapons that are particularly dangerous to strategic stability.

Fourth, the short-term goal is how you would reconcile that middle-range goal with particular needs. For example, to cut out all nuclear weapons immediately, you are going to have to talk first with the Europeans before the Russians, obviously. They are going to be a major question. We advocated in the letter, a no-first use policy for NATO. Our primary objection came from Europe.

Now in the short-term goal, I think we could argue for deep cuts, as we did in the letter. I think they are feasible and doable in the short term. I think they ought to be fastened on particularly those weapons that are the most dangerous in terms of their strategic character. Again, I would go immediately to the U.S. MX. I would also go to the Soviet SS–18's. It is that kind of tradeoffs that seems to me we want. In the short term, you can try to channel the existing strategic arsenals in directions of great stability.

Here I invoke the bishops not at all, but you asked me a personal question, so I will give a personal answer. For myself, I would go to sea much more substantially than we are prepared to do. I think the attempt to solve land-based missile vulnerability is one in which I do not have an enormous amount of confidence, and I understand the argument about the triad. So in the short term, I would try and cut numbers, cut the most dangerous weapons, and I would try and think innovatively about channeling the strategic arsenals in ways that won't do away with them in the short range. It will make the world much more safe.

In the middle range, by the end of the century, I think—I've heard respectable people argue that you can get down to very small numbers of nuclear weapons that still will have a certain sta-

bility about their relationship, if both sides have similar numbers. Now the numbers are an enormous debate. The Harvard group, I know—I was one of the readers of that book, to advise them on certain chapters—they may be more pessimistic than some other voices in the debate that have equal degrees of experience, and indeed, I think the Harvard authors were somewhat divided among themselves on certain of their policy recommendations—which made them like the bishops.

Senator PROXMIRE. Thank you.

Representative OBEY. Thank you, Father.

There are a number of questions, I only have time for one. When you mentioned the congressional agenda, you referred to the question of spending tradeoffs in the budget. You made the point that we ought to read the letter on the economy together with the letter on nuclear war, in order to find guidance in legislative direction on the budget.

May I ask how you respond to this, however? By implication, if we reduce reliance upon nuclear deterrents, we will wind up increasing reliance upon conventional deterrents. Conventional deterrents will, if anything, cost more than reliance upon nuclear deterrents. If we read those two letters together, how does that give us, in practical terms, guidance on the budget debate, other than perhaps going to the Russians and saying, it is not enough to just talk about the reduction of nuclear weapons. If you want to talk about the reduction in nuclear weapons, you have to be prepared to talk about the reduction in conventional threats as well.

Father HEHIR. Two things, Mr. Chairman.

First of all, the bishops' letter itself acknowledged the dilemma that the Congress faces. The bishops' letter said we would, in principle, be open to some increased spending on conventional forces, if it would back us off from immediate reliance on nuclear weapons. They were equally concerned with General Rogers' concern that it seems that we have to think about going to nuclear weapons within the first 10 days of a conflict in Central Europe. That is unacceptable on strategic, moral grounds, and you need to do something about that.

Second, I would argue that within the defense budget itself, there is, to some degree, precisely because of the deficit, a zero-sum game going on within the defense budget. That is to say, that if you were to move toward increasing spending on conventional defense, you have to do it in tandem with some choices about existing strategic policy and future strategic policy.

Now, again, I am trying carefully not to take any final position on SDI, since the bishops don't have a final position on SDI, but when we talk about the kind of spending it would take to significantly increase the conventional defense of Europe as opposed to the kind of spending we seem prepared to presume we are going to have to provide for SDI, there's not even any comparison. I mean, there are debates about what it will take to provide a credible defense of Europe. I heard former Secretary Robert McNamara argue $50 billion. That is the beginning of the SDI program. That is not even a short-range price for SDI.

So I think you can't do everything. And I think one has to use a multiple set of criteria to look at strategic stability, conventional

strategic tradeoff and then the aggregate number in the defense budget as a whole.

I think myself that the thrust of the bishops' letter, namely, moving toward a no-first use policy and increased reliance on conventional forces, has solid moral ground and very plausible policy ground, but we are in the beginning of that debate, not in the end of it.

I would think you could move that way, as long as you were willing to exercise—not you, but any of us, willing to exercise very stringent concern about what we are building, in terms of the future of strategic forces.

There again, I have to be very honest with you. That doesn't mean I wouldn't build any strategic forces at all. If you are going to have land-based missiles, the Minuteman looks a lot better to me than MX does.

Again, personal judgment [laughing].

Representative OBEY. I guess I would add only one thing to that. It would also seem to me that if you are talking about entertaining either the thought of expanding expenditures on either to a significant degree, either for SDI or conventional, it is a question of if something is valuable enough, we ought to pay for it.

Father HEHIR. Also, on your other point: I think that the tying together of the conventional balance in Europe and the negotiations about that, along with strategic negotiations, needs to be addressed much more aggressively than we have addressed it, and there was some talk about that at Reykjavik.

Representative OBEY. Well, thank you all very much. I appreciate the participation of everyone today. This has been, I think an important discussion, because economics, as I said earlier, is not just a mathematical analysis. The purpose of economic analysis is to, in the end, figure out what is going to happen or what should happen to economic systems, because we are concerned about what the impact of those economic systems will eventually be on people.

I think Christmas is an especially fitting time to examine that, notwithstanding the inability of the managers of Tysons Corner or a few other shopping malls to get the right message from Christmas.

And I just say that the bishops certainly have not been alone in addressing these problems.

If you take a look at the basic questions you're raising, I think what you're asking is really, can a government or political party or politician really pursue economic or social Darwinism and be consistent with conscience? The answer, I think, is clearly no.

Can capitalist competition be pursued without any regard whatsoever to justice and mercy? I really doubt it. And it isn't just Catholics alone who have been raising these questions for a long time. I recovered an old quote from Rev. N.A. Larsen of Iowa, Bishop of the Norwegian Lutheran Church of America in 1940, who indicated his concern about the fact that some industrialists had a tendency to use religion in order to cloak not so religious attitudes toward the people who worked for them.

He said:

A man may be a pirate in business, but throw the cloak of religion over his life by giving to pet charities the modern materialistic civilization's development doctrine of the divine right of property.

Which he suggested was not consistent with their values.

In 1946, 122 religious leaders of Catholics, Protestants, and Jews drew up a Declaration of Economic Justice which said:

Private property is limited by the moral obligation. The moral purpose of economic life is social justice to distribute God's gifts equitably. It is the duty of the state to intervene in economic life whenever necessary to protect the rights of individuals and groups.

We had some discussion about whether there ought to be a preference for the rights of the poor. Pope Leo warned a long time ago, and I am quoting:

That the poor and helpless have claim to special consideration. The richer population have many ways of protecting themselves and stand less in need of help from the state. Those who are badly off often have no resources of their own to fall back upon and must rely chiefly on the assistance of the state.

And in terms of the international situation, back as long ago as 1935, Catholic bishops made this statement:

The real authors of violence and bloody revolutions in our times are not the radicals and Communists but the autocratic possessors of wealth and power, who use their position to oppose their fellow men.

I think that is a lesson that a lot of people in a lot of countries, including Central America, for that matter, the Soviet Union, could learn today.

I'd simply like to close on a historical note with a quote from the opening address of the first meeting of the American Economics Association delivered by its first president, Mr. Richard Eiley.

He said this:

Laissez faire is unsafe in politics and unsafe in morals, and it suggests an inadequate explanation of the relations between the state and the citizens. In other words, we believe in a system of social ethics. We do not believe that any man lives only for himself alone, nor yet do we believe social classes are devoid of mutual obligations. All have duties as well as rights. And as Emerson said several years ago, "it is time we heard more about duties and less about rights."

And I think we heard a lot of that this morning from all the parties who testified.

Thank you all. I appreciate your participation.

A VOICE. Merry Christmas.

[Whereupon, at 1:15 p.m., the committee adjourned, subject to the call of the Chair.]

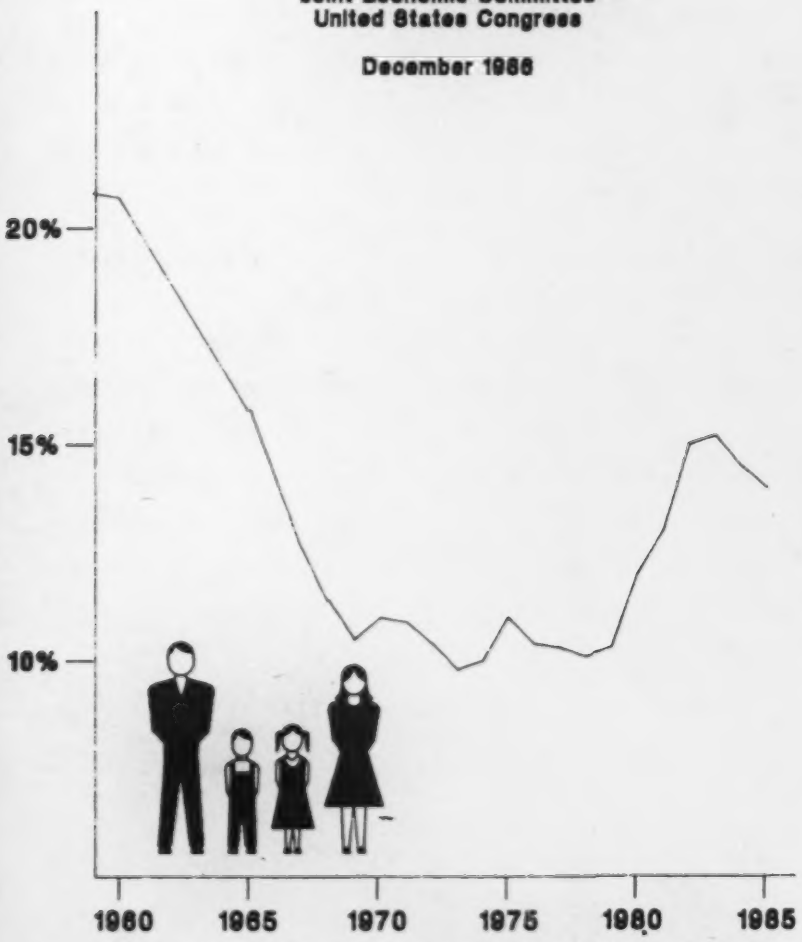
APPENDIX

THE GROWTH IN POVERTY: 1979-1985

Economic and Demographic Factors

A Democratic Staff Study
Prepared For The
Joint Economic Committee
United States Congress

December 1986



Following nearly two decades of success in the fight against poverty, official and unofficial rates of poverty began to rise noticeably in 1979, and then dramatically in 1982 and 1983. Although poverty rates have moved slightly downward since then, they still have not returned to anywhere near their 1979 levels despite recovery from recession and falling rates of inflation. At the same time, newspaper, magazine, and television accounts of teenage pregnancies, soaring illegitimacy ratios -- especially among inner-city blacks -- and rising numbers of single-parent families have all combined to heighten public awareness of the connection between changing family structure and poverty. These trends have led many to conclude that high post-1979 poverty rates "have nothing to do with economic policies" and everything to do with "deep cultural and demographic trends."*

Despite an increasingly widespread acceptance of this view, it is a very incomplete and misleading explanation of recent events. If anything, the case is the reverse. Poverty in the early 1970's was, indeed, increasingly confined to the elderly, handicapped, and single-parent families. Since 1979, poverty has greatly expanded among working-age, two-parent families. Therefore, the purpose of this study is to compare the effects of economic difficulties and changes in transfer payments with the effects of family decomposition on post-1979 increases in poverty. The study concludes that:

---

* Poverty in America: What The Data Reveal, Heritage Foundation Backgrounder No. 475, 1985.

* Although the increase in single-parent families is troubling for a variety of reasons -- not the least of which is its contribution to poverty -- changes in family composition have not been the primary cause of the increase in poverty since the late 1970's.

* The post-1979 increase in poverty has been largely the result of weak economic performance -- especially high levels of long-term unemployment and falling wages -- and changes in social welfare policy.

* The greatest increases in poverty during this period were for persons living in married-couple families. There are 3.13 million additional persons living in married-couple families in poverty and 2.19 million additional persons living in single-parent, female-headed families in poverty since 1979.

* Persons in married-couple households account for 44.9 percent of the increase in poverty since 1979. Persons in single-parent, female-headed families account for 31.5 percent of new poverty over the same period.

* For persons living in families, 54.4 percent of the increase in poverty after 1979 took place in families with both parents present, and 38.2 percent in families headed by a woman with no husband present.

* Given the sluggish nature of this recovery, poverty rates will fall very slowly, with little prospect for a rapid return to pre-1980 rates of 11.7 percent (1979) or 11.4

percent (1978). A recession or growth recession of any sizable duration will send poverty rates up very rapidly.

A word of caution is in order. Although the burden of this study will be to demonstrate that changes in family composition have not been the primary cause of increases in poverty since 1979, one should not conclude from this that questions of family composition are of no concern to policymakers. Quite the reverse is the case. However, it is important to avoid ascribing too much importance to one factor, thereby missing more immediate causes and remedies.

POVERTY AND DEMOGRAPHIC TRENDS

1959-1979

That family composition affects poverty is beyond question. In 1959, the poverty rate for persons in families with female householders was 49.4 percent; and the poverty rate for children 18 and under living in such families was an astounding 72.2 percent. In comparison, poverty rates for persons in male-present families (usually two-parent) stood at 18.7 percent, and the poverty rate for children in these same families stood at 22.4 percent. Clearly, the probability of living in poverty was greater if one lived in a female-headed, single-parent household. This remains true today.

Although far more people live in married-couple families than in single-parent families, the numbers and percentages of people

living in single-parent, female-headed households and in households with unrelated individuals (headed by individuals of either sex) have increased greatly in the two and a half decades that have followed. Therefore, it would have been reasonable to assume that rates of poverty also would have increased as these latter demographic groups grew both in absolute numbers and as a percentage of the population.

Yet, the opposite occurred due to substantial increases in economic growth, jobs, wages, and transfer payments. From 1959 to 1979, the official poverty rate fell from 22.4 percent to 11.7 percent. By 1979, the poverty rate for persons in female-headed families had declined from 49.4 to 34.9 percent, while the poverty rate for children in these families had fallen from 72.2 to 48.6 percent. At the same time, the poverty rate for unrelated persons in female-headed households dropped from 52.1 to 26.0 percent.

As one would expect, poverty rates fell even more for intact, two-parent households and male-headed households. By 1979, the combined poverty rate for persons living in these families had fallen to 6.3 percent and the poverty rate for related children in these families had similarly dropped to 8.5 percent. (In fact, they had reached even lower rates of 5.9 percent and 7.9 percent, respectively, the previous year.) In non-family, male-headed households, the poverty rate similarly fell to 16.9 percent.

TABLE 1

POVERTY RATE FOR PERSONS IN MALE-HEADED AND FEMALE-HEADED HOUSEHOLDS; 1959 AND 1979

Category	1959	1979
Poverty Rate for Persons in Female-Headed Households, No Husband Present	49.4%	34.9%
Related Children Under 18	72.2	48.6
Unrelated Individuals	52.1	26.0
Poverty Rate for Persons in All Other Families	18.7%	6.3%
Related Children Under 18	22.4	8.5
Unrelated Individuals	36.8	16.9

Source: Census Bureau, Current Population Reports P-60, No. 147.

If one includes noncash benefits, such as Food Stamps, medical care, and housing assistance, in measuring income, the improvement between 1959 and 1979 has been even more significant. In 1959, noncash benefits were small in number and very irregularly distributed. Yet, by 1970, the picture had changed. Means-tested cash assistance equaled $19.07 billion (in 1984 constant dollars), but means-tested, noncash benefits had grown to $21.2 billion. By 1975, cash assistance grew to a high of $34.5 billion, and noncash, means-tested benefits also rose, reaching $38.2 billion. After 1975, the constant dollar value of cash assistance stagnated and then declined, but the real value

of noncash, means-tested assistance continued to rise, totaling $51.8 billion by 1981. By 1984, means-tested cash assistance had slipped further to $28.8 billion, but the value of means-tested, noncash benefits fell only a bit in 1982 and then rose again in 1983. By 1984, noncash, means-tested assistance was worth $51.5 billion, nearly 79 percent greater than means-tested cash assistance. Since cash assistance was included in official income figures, but noncash benefits were not, the declining real dollar value of cash assistance to the non-aged contributed greatly to an increased official poverty rate. However, many in-kind benefits, such as Food Stamps, kept better pace with inflation, yet were not included in the official poverty rate figure. Therefore, the official rate does not give a complete story. Although there was some cyclical variation, poverty continued to fall in the 1970's, even though the official measure of poverty did not always record it. However, after 1979, by any measure, poverty increased significantly.

TABLE 2

MEANS-TESTED CASH ASSISTANCE, OUTLAYS ON FOOD STAMPS AND MEDICAL CARE PROGRAMS, AND ESTIMATED MARKET VALUE OF SCHOOL LUNCH AND HOUSING SUBSIDIES: 1970, 1975, AND 1979-1984
(Figures in Millions of 1984 Dollars)

Type of Benefit	1970	1975	1979	1980	1981	1982	1983	1984
Means-Tested cash assistance 1/	$19,070	$34,546	$33,130	$32,137	$30,710	$29,276	$28,775	$28,834
Means-Tested, Total	21,195	38,164	47,152	49,253	51,768	50,486	51,988	51,474
Food Stamps	1,475	8,468	9,284	10,954	12,129	10,987	11,595	10,677
Free and Reduced-Price School Lunches 2/	330	1,595	1,889	1,931	1,926	1,906	2,075	1,809
Public and Subsidized Housing 3/	4,389	4,370	5,987	5,679	5,256	5,398	5,448	5,692
Medicaid	15,001	23,732	29,991	30,689	32,457	32,195	32,871	33,296

1/ Includes Aid to Families with Dependent Children (AFDC), general assistance, Supplemental Security Income (SSI), and means-tested Veteran's pensions.
2/ Excludes commodities.
3/ Estimates for 1979 through 1984 were derived directly from the noncash valuation techniques used in Bureau of the Census, Technical Paper 55.

Source: Bureau of the Census, Technical Paper 55.

For a variety of reasons, there is no consensus on how best to measure the value of in-kind benefits to a recipient's income. To offer one example, a very poor and very sick person who receives $50,000 in medical benefits during a given year might, by one valuation technique, be counted as a member of the nation's highest income quintile. As a result, the Census Bureau continues to exclude in-kind benefits in the official poverty measure. Nevertheless, even extremely cautious measures of in-kind benefits show important gains since 1959, and important declines since 1979. For example, by 1979, the official poverty rate stood at 11.7 percent. Adding the market value of food and housing benefits to income reduced the poverty rate to 9.7 percent; including the market value of food, housing, and medical benefits (excluding institutional expenditures) reduced it further to 7.0 percent. Persons in married-couple families had official poverty rates of 6.1 percent, and even lower rates of 5.3 percent and 4.0 percent using the valuation techniques for noncash benefits described above. Similarly, for persons in families with a female head and no husband present, the official poverty rate stood at 34.9 percent, but that changed to 26.0 percent and 17.6 percent once in-kind benefits were added (see Table 3).

76-727 O - 88 - 5

However, by the end of 1985, three years into the recovery from the recession of 1982, the official poverty rate for persons in married-couple families was still 7.9 percent. Although an improvement over the preceding year, the married-couple poverty rate had not yet returned to the level of the 1980 recession trough, not to mention the 6.1 percent rate of 1979. Since most individuals live in married-couple families, these percentage increases have affected millions of people.

Family Composition And Poverty -- Post-1979

The pre-1979 and post-1979 poverty figures are especially significant when they are examined in light of changes in family composition (see Table 4). The successes for the period of 1959 to 1978-1979 took place during a period in which female-headed households rose at a very rapid rate, and female-headed households with children became a larger percentage of all families with children. Thus, while changes in family composition inhibited progress, it did not prevent it. Conversely, at the time when damaging changes in family composition slowed in 1980, poverty rates were rising significantly.

One can infer from the juxtaposition of these trends that family composition has not been the critical variable explaining high poverty rates in the 1980's, even though it clearly has had some effect.

TABLE 4

FAMILY HOUSEHOLDS WITH OWN CHILDREN
UNDER AGE 18, BY TYPE OF FAMILY
1970 TO 1984 1/

Family Type	1970	1975	1980	1981	1982	1983	1984
Family Households With Children (1,000)	28,731	29,944	31,022	31,227	31,012	30,818	31,046
Married Couple (1,000)	25,532	25,165	24,961	24,927	24,465	24,364	24,340
Male Householder, No Wife Present (1,000) 2/	341	478	616	666	679	737	799
Female Householder, No Husband Present (1,000) 2/	2,858	4,301	5,445	5,634	5,868	5,718	5,907
PERCENT DISTRIBUTION							
Family Households With Children	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Married Couple	88.9	84.0	80.5	79.8	78.9	79.1	78.4
Male Householder 2/	1.2	1.6	2.0	2.1	2.2	2.4	2.6
Female Householder 2/	9.9	14.4	17.6	18.0	18.9	18.6	19.0
Family Households With Children As A Percent Of All Family Households	55.8	53.9	52.1	51.8	50.8	50.2	50.1

1/ As of March, based on Current Population Survey which includes members of Armed Forces living off post or with families on post, but excludes other Armed Forces.
2/ No spouse present.

Source: U.S. Bureau of the Census, Current Population Reports, series P-20, No. 398, and earlier reports.

For example, from 1970 through 1979, the number of female family householders increased on average 7.4 percent per year, and the number of female-headed families with children increased by 11.1 percent per year. Yet, from 1980 to 1984, the rate of increase for these groups slowed substantially to 3.1 percent and 2.0 percent per year, respectively. In other words, the rate of poverty grew at a very rapid pace just as the deterioration in the two-parent family began to slow.

A closer look at the growth in poverty during the period from 1979 to 1983, and its modest decline in 1984 and 1985, highlights the fact that the greatest increases in poverty rates were for persons living in married-couple families. As Table 5 indicates, persons in married-couple families accounted for 38.6 percent of the poverty in 1979, while persons in female-headed households accounted for 36 percent of poverty in that year. The near parity of the two figures, despite the fact that the vast majority of persons live in married-couple families led people to discuss an impending "feminization" of poverty. As we have seen, this phenomenon was at least as much a result of the dramatic decline in poverty among married-couple families as the reverse, since the poverty rate had actually fallen among female-headed families (although the absolute numbers had increased substantially).

After 1979, however, a different trend developed. By 1982, persons in female-headed families actually declined as a percentage of persons in poverty, and persons in married-couple families increased to account for 43.1 percent of the poverty

population. Female-headed families then accounted for 34 percent of those in poverty. In other words, once the recession became severe, poverty grew most rapidly among those groups most dependent upon wages and least eligible for various types of public assistance -- i.e., married couples and their children.

TABLE 5

PERSONS IN FAMILIES AS A PERCENTAGE OF
PERSONS IN POVERTY, BY FAMILY TYPE, 1979-1985
(In Thousands)

Category	1979	1980	1981	1982	1983	1984	1985
Total in Poverty	26,072	29,272	31,822	34,398	35,515	33,700	33,064
Total in Families In Poverty	19,964	22,601	24,150	27,349	28,025	26,458	25,729
Percent of Persons In Poverty, Living In Families with Female Head, no Husband Present	36.1	34.6	34.7	34.0	34.1	35.1	35.1
Percent of Persons In Poverty, Living In Married-Couple Families	38.6	40.5	41.4	43.1	42.5	40.7	40.0

Source: Census Bureau, Technical Paper 56

Seen in another way, persons in married-couple families accounted for 53.3 percent of the increase in poverty from 1979 to 1983, and 76 percent of the decrease when GNP grew at a rapid pace -- 6.4 percent in real terms -- in 1984. Persons in female-headed households accounted for 28.6 percent of the increase in poverty from 1979 to 1983, and 14.9 percent of the decrease in poverty in 1984. At the end of 1985, well into the recovery,

persons in married-couple families still accounted for 44.9 percent of the increase in poverty since 1979 while persons in female-headed households accounted for 31.5 percent of the change.

Given the large percentage of new poor living in married-couple families, it is clear that family composition changes were not the central variable at work during this period. Mary Jo Bane's research on the effects of family composition on poverty reaches similar conclusions. Using the most cautious estimates, Bane concludes that, had family composition remained at 1979 levels, the poverty rate for 1982 would have been 14.8 percent instead of 15 percent. Yet, even here, Bane warns that these numbers assume that the incomes of poor, single-parent households would have been similar to average married-couple households had they been or remained intact. Yet, research in AFDC records indicates that most poor, single-parent families were poor before they became single-parent households, leading Bane to suggest that a great deal of poverty in single-parent households is simply "reshuffled" rather than newly created.

POVERTY AMONG SENIOR CITIZENS

Since poverty rates among senior citizens are less influenced by the ups and downs of the business cycle, senior citizen trends provide an interesting contrast. Unlike other sectors of the population, senior citizen poverty rates continued to decline throughout most of this period because earnings from employment comprise a far smaller portion of senior citizen income, and

public policy has made reducing poverty of the elderly a major priority. Accordingly, in 1959, the poverty rate for senior citizens stood at 35.2 percent. By 1973, it had dropped to 14.6 percent and then began to rise briefly as inflation whittled away at the value of savings and social security payments. Once Congress indexed social security against inflation and raised the value of Supplemental Security Income for similar reasons, the senior citizen poverty rate began to fall on a regular basis. Senior citizen poverty rose again to 15.7 percent in 1980, but fell every year after until 1985. By 1984, the poverty rate for persons 65 and over stood at 12.4 percent, nearly a 65 percent decrease since 1959, and 8.9 percentage points better than the poverty rate for children (21.3 percent). In 1985, the poverty rate for senior citizens inched up to 12.6 percent, while the rate for children came down slightly to 20.5 percent.

The reasons for this trend are not difficult to determine. The value of cash and noncash benefits going to senior citizens kept pace with inflation far better than means-tested benefits going to the working-age families and their dependents. Because senior citizens are the least affected of all groups by their position in the labor market, they are relatively well protected from high unemployment and long-term unemployment. Thus, their poverty rates went in precisely the opposite direction of the rest of the population in the early 1980's. As the following table indicates, even senior citizens with little or no social security, i.e., those largely dependent on SSI and Food Stamps,

remained fairly close to the poverty line and, moreover, did not lose ground during the 1980's.

TABLE 6

COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE COUPLES RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY, AND FOOD STAMPS FOR SELECTED YEARS: 1975 TO 1985

Category	Calendar Year				
	1975	1980	1982	1984	1985
Poverty Threshold	3,232	4,954	5,840	6,280	6,510
Federal SSI Benefits:					
Dollars Per Year (in millions)	2,734	4,016	4,940	5,664	5,856
Percent of Poverty	84.6	81.1	84.6	90.2	90.0
Federal SSI and Social Security:					
Dollars Per Year (in millions)	2,974	4,256	5,180	5,904	6,096
Percent of Poverty	92.0	85.9	88.7	94.0	93.6
Federal SSI, Social Security, and Food Stamps:1/					
Dollars Per Year (in millions)	3,430	4,906	5,792	6,393	6,528
Percent of Poverty	106.1	99.0	99.2	101.8	100.3

1/ In computing the Food Stamp benefit for 1975, average deductions among all elderly households are assumed. For later years, the applicable standard deduction plus average shelter and medical deductions among elderly households are assumed.

Source: Committee on Ways and Means; Congressional Research Service

In stark contrast, the cash benefits going to families with dependent children moved in the opposite direction (Table 7). Thus, a recent Congressional Research Service study indicates that cash welfare (largely directed to families with children) was able to push 9.5 percent of the pre-tax poor above the poverty line in 1979, but only 5.6 percent by 1984. Moreover, in nearly half of the states, non-aged families with a husband of working age present remained ineligible for AFDC payments.

WORK, WAGES, AND POVERTY

The emphasis on family composition as a determinant of poverty wrongly inclines us to ignore the effects of weak trends in employment and wages. To take an example, in 1983, a year in which the poverty rate reached a recent high of 15.3 percent, 7,641,000 family householders lived below the official poverty line. Of these, 54 percent were in the labor force; of those in the civilian labor force, 24.4 percent were unemployed; of those employed in the civilian labor force, 1,289,000 (34.2 percent) worked full time, yet their families remained in poverty. Over half of those who did not work full time did so involuntarily. In addition, almost 17 percent of family households in poverty had two workers. Simply, trends in employment and wages have a tremendous effect on poverty, despite the existence of a safety net.

TABLE 7

AVERAGE EXPENDITURES IN CONSTANT 1985 DOLLARS PER RECIPIENT (ENROLLEE) FOR OASI, UI, AFDC, EITC, AND SSI -- 1970, 1975, 1980, 1984, 1985
(In Millions of Dollars)

Program	Fiscal Year				
	1970	1975	1980	1984	1985
Social Security (OASI) (Annual)	3,375	4,315	4,486	5,190	5,228
Unemployment Insurance (UI), Regular Benefits (Weekly)	130	135	127	123	122
Aid to Families with Dependent Children (AFDC) (Annual Family Benefit)	6,023	5,168	4,355	4,010	4,056
Earned Income Tax Credit (EITC)	1/	412	379	295	N/A
Supplemental Security Income (SSI) 2/ (Annual)	1,895	2,475	2,302	2,5793/	2,527

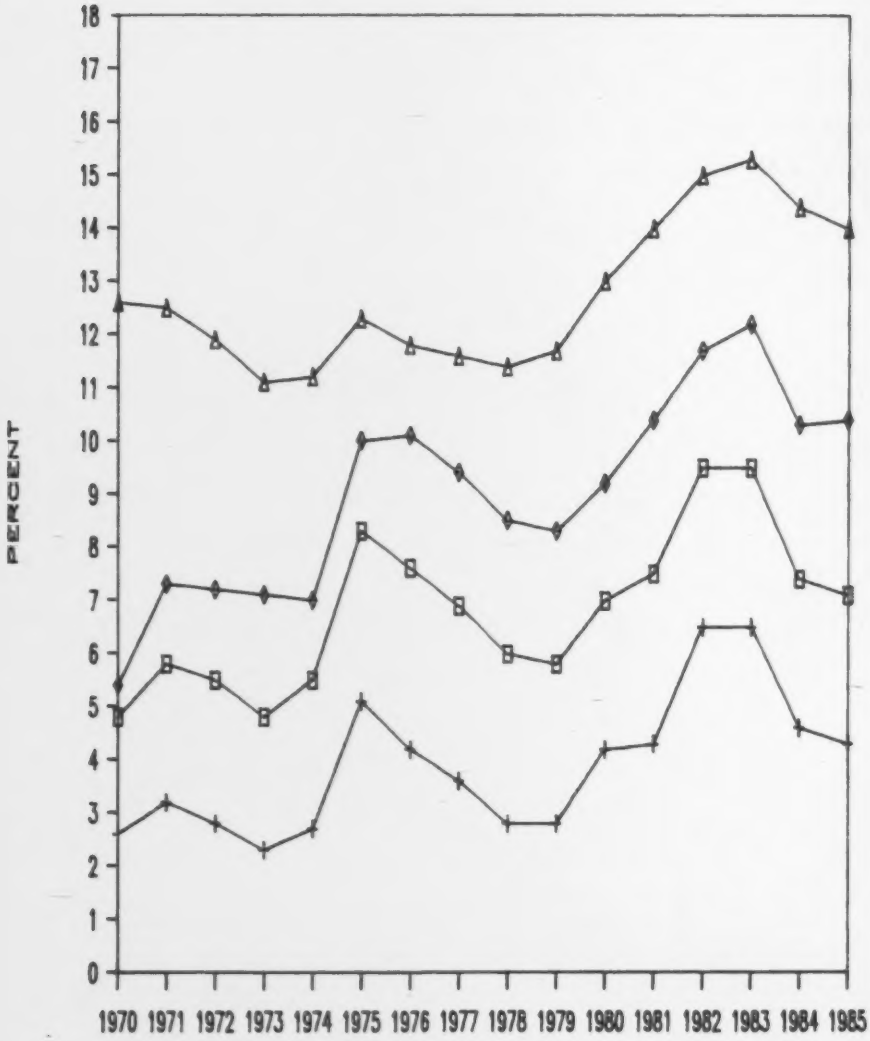
1/ No program or outlays less than $50,000,000.
2/ Adult cash welfare programs that preceded SSI.
3/ Adjusted to reflect 12 months of benefits instead of 11 months.

Source: Committee on Ways and Means

As the following graph illustrates, the poverty rate seems to rise and fall in lock step with the unemployment rate. While it is true that many who are in poverty do not and cannot participate in the labor force -- they are the elderly, children, handicapped, blind, or parents of very small children -- most family householders who are poor work. Simply, Their condition is greatly affected by changes in the economy.

Accordingly, when the GNP grew at a robust pace in 1984, the poverty rate came down. Yet, many were rightly disappointed by the rate of decrease in poverty for 1984 and blamed it on changes in family composition. However, placing undue emphasis on the demographic argument, whatever its merits and plausibility, leads us to ignore salient economic conditions during this recovery which inevitably would have raised poverty rates above pre-1979 norms -- specifically, unusually high unemployment rates, high levels of long-term unemployment, decaying wage levels, and falling levels of cash assistance for the non-aged poor.

UNEMPLOYMENT AND POVERTY



The comparison between this recovery and other recent recoveries is instructive. In the 1970-1971 downturn, unemployment peaked at 5.8 percent; unemployment for married men was 3.2 percent; and unemployment for women who maintained families was 7.3 percent. These figures were all higher during the recession of 1975, and more severe still in 1982-1983. During the brief downturn of 1980, unemployment peaked at 7.0 percent; married male unemployment peaked at 4.2 percent; and female head of household unemployment reached 9.2 percent. In comparison, in 1983, the overall unemployment rate reached 9.5 percent; married male unemployment reached 6.5 percent; and female family heads, 12.2 percent.

These figures offer us some perspective on unemployment and poverty when we examine the present recovery. After 12 quarters of growth, the unemployment rate for 1985 stood at 7.1 percent; married male unemployment remained at 4.3 percent; and female head of households still had an unemployment rate of 10.4 percent. If these figures represent close to the best unemployment levels of this recovery, they will have remained at levels in excess of the worst unemployment levels at the beginning of the decade, not far from the worst figures for 1975, and above the worst unemployment figures of the recession of 1980.

A similar pattern holds true for long-term unemployment. Even after robust GNP growth in 1984, the average duration of unemployed persons in that year was 18.2 weeks, as compared to 11.9, 15.8, and 12.0 during the worst periods of recent

recessions prior to the 1980's. In 1985, three years into a recovery, the mean duration of unemployment improved to only 15.6 weeks, again, figures we associate with recessionary periods.

The following graph of unemployment duration illustrates this pattern. The present recovery figures are similar to and sometimes worse than the worst recessionary figures from previous business cycles. Thus, if we were using unemployment data as a predictor of poverty rates, we would have expected poverty levels to remain above those of the 1970's; and they have.

Trends in wages also explain part of the poverty picture. Inflation-adjusted average weekly wages for production or nonsupervisory workers in nonagricultural industries fell throughout most of this period, dropping consistently until 1982, rising slightly in 1983 and 1984, and coming down again in 1985. In 1978, the average weekly earnings in the nonagricultural sector were $189.31 (in 1977 dollars). By 1982, they had fallen to $168.09 and, in 1985, returned to $171.60 in constant dollars.

The decay in the minimum wage in real dollar terms has been even more severe, since it has not remained at $3.35 an hour since 1981. In 1969, a person working 50 weeks, 40 hours per week could work at a minimum wage job and earn 109.4 percent of the poverty level for a family of three. By 1979, he or she could work the same amount of time at the minimum wage and earn 100.3 percent of the poverty level for a family of three. But, by 1985, a full-time minimum wage worker and his/her family could

fall well below the poverty line, earning only 78.2 percent of the poverty level for a family of three.

While most workers do not work at minimum wage jobs, these jobs remain important for young workers, and especially young female workers. Moreover, since AFDC and other forms of cash assistance are less available for working families than they were before 1981, the decay in the minimum wage affects the real family income of poor workers more seriously than it would have prior to this period. Minimum wages also influence the wages paid to other low-paid workers. Thus, in 1984, 21 percent of families with female householders who worked still found themselves living below the poverty line and, in 1985, the figure actually increased to 21.5 percent. In 1985, 11.1 percent of families with female householders living below the poverty line had a householder who worked full-time (50-52 weeks). Moreover, the incidence of "low-earnings" (i.e., wages which would not enable the householder and his or her family to live above the poverty line even if they worked 52 weeks a year) for family householders with children has grown steadily since 1973, and most rapidly since 1979. Only the sizable entry of both spouses into the labor market has kept the poverty rate from growing even larger.

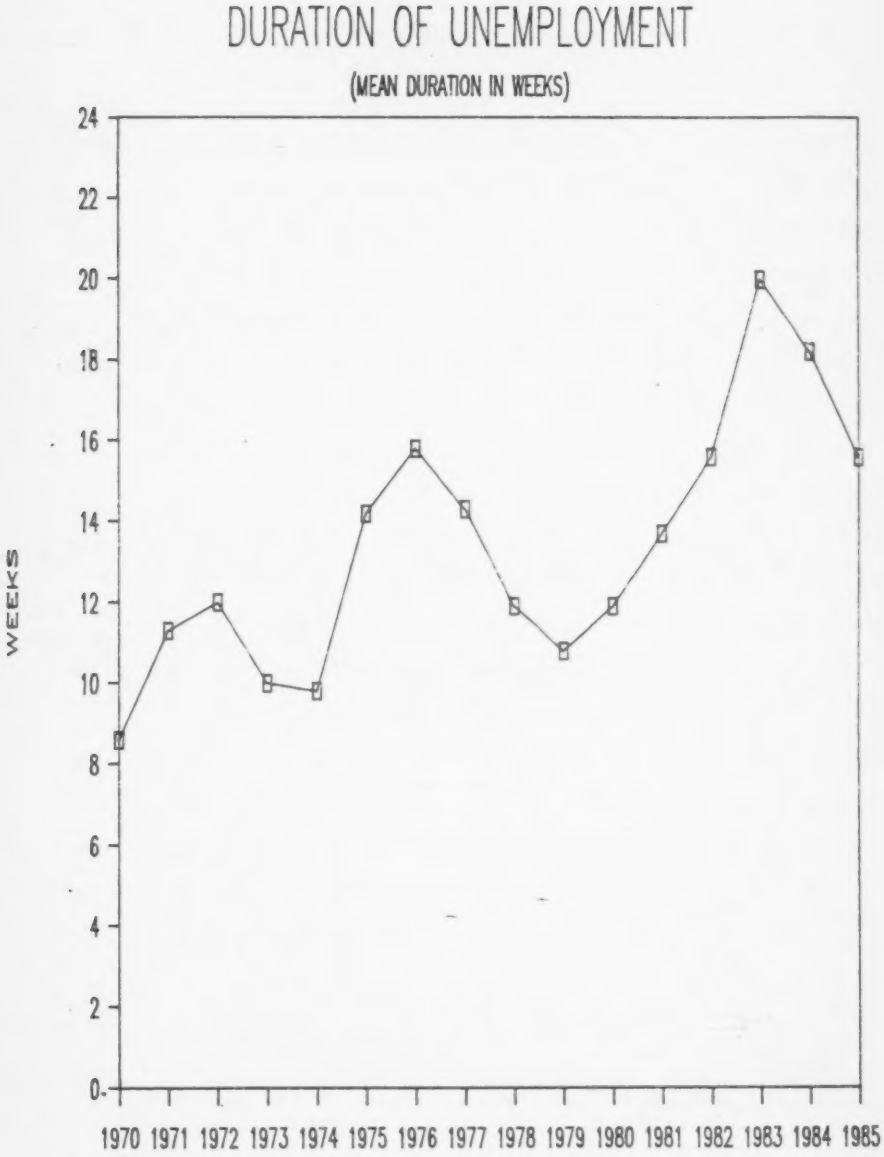
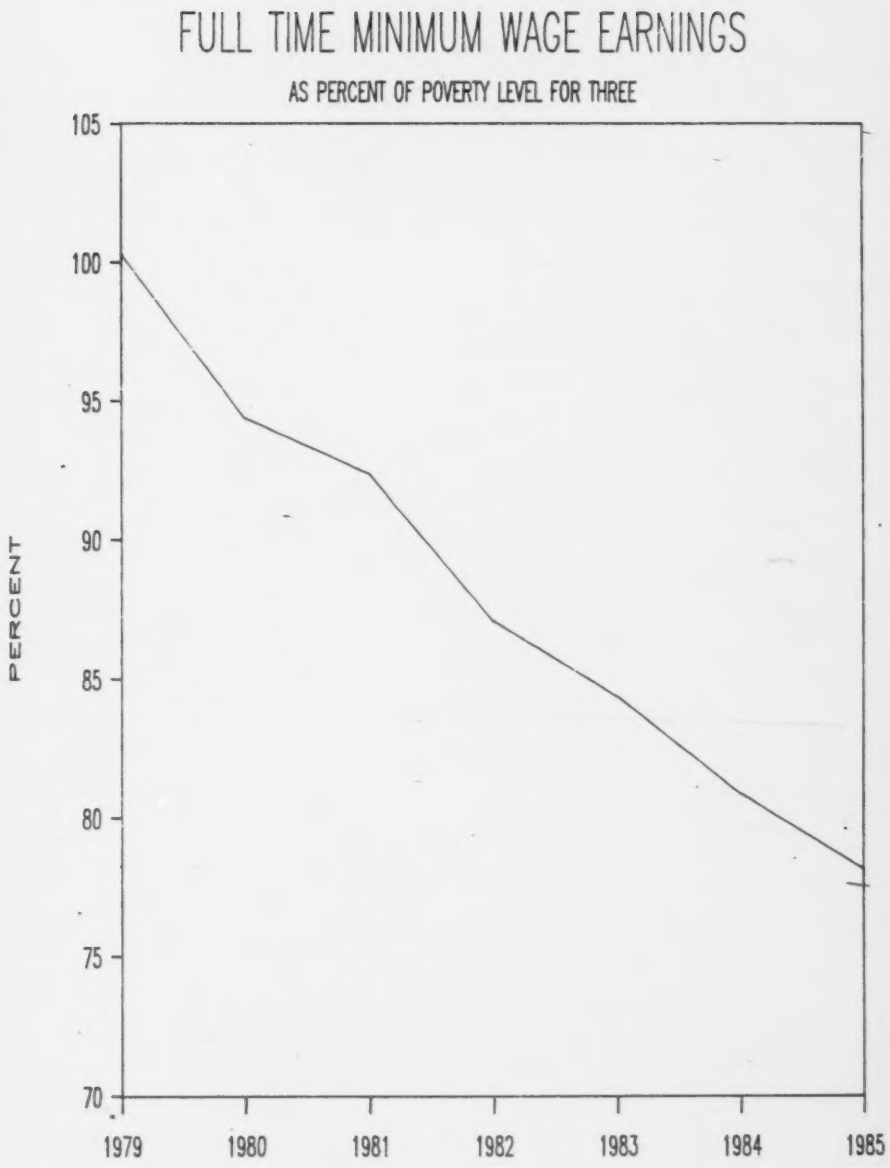

DURATION OF UNEMPLOYMENT
(MEAN DURATION IN WEEKS)
WEEKS
24
22
20
18
16
14
12
10
8
6
4
2
0
1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985

TABLE 8

MINIMUM WAGE AND POVERTY

Year	Hourly Minimum Wage	Annual Earnings For 2,000 Hours' Work (50 Weeks of 40 Hours)	Poverty Level (3 Persons)	Full-Time Minimum Wage Earnings As Percent of Poverty Level for Three
1964	$1.25	$2,500	$2,413	103.6%
1969	1.60	3,200	2,924	109.4
1974	2.00	4,000	3,936	101.6
1979	2.90	5,800	5,784	100.3
1980	3.10	6,200	6,565	94.4
1981	3.35	6,700	7,250	92.4
1982	3.35	6,700	7,693	87.1
1983	3.35	6,700	7,938	84.4
1984	3.35	6,700	8,277	80.9
1985	3.35	6,700	8,570	78.18


FULL TIME MINIMUM WAGE EARNINGS
AS PERCENT OF POVERTY LEVEL FOR THREE
PERCENT
105
100
95
90
85
80
75
70
1979
1980
1981
1982
1983
1984
1985

AVERAGE WEEKLY EARNINGS

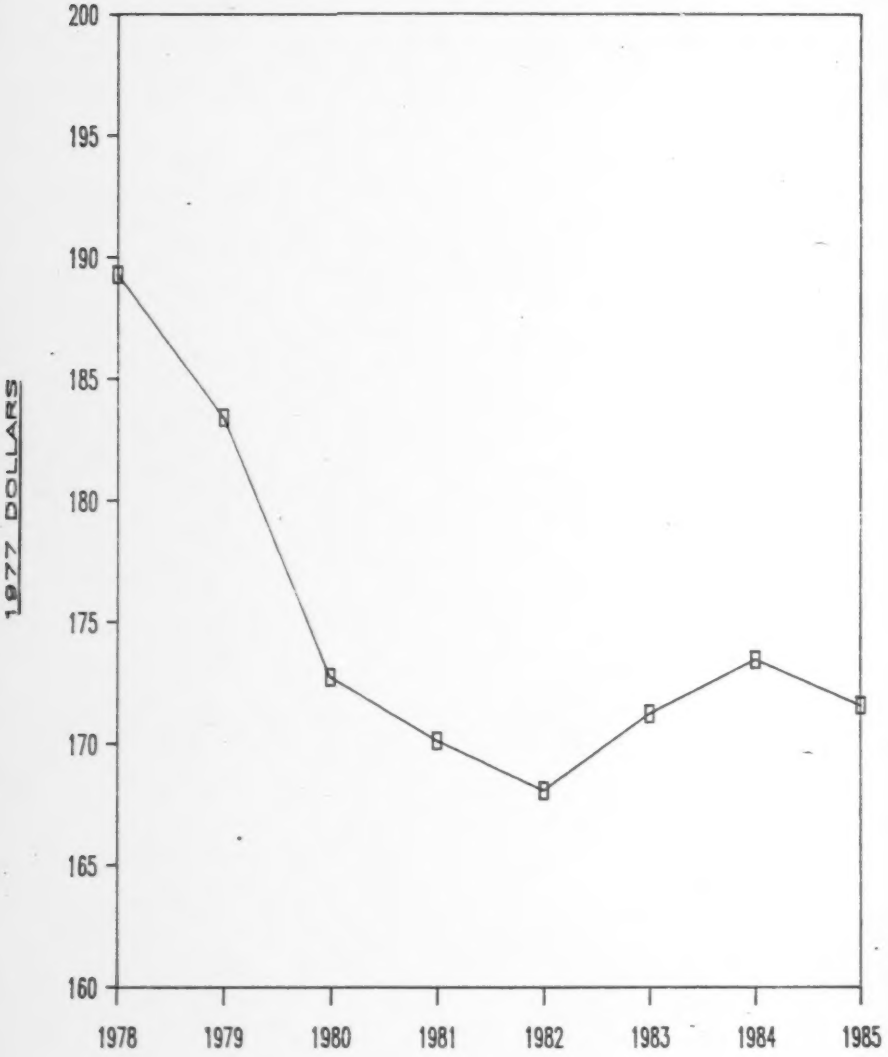


TABLE 9

INCIDENCE OF LOW WEEKLY EARNINGS OF HEADS OF FAMILIES WITH CHILDREN,1/ 1967-1984

Heads Of:	1967	1973	1979	1984
All Families with Children	20.8%	21.5%	23.8%	29.9%
White	17.1	17.7	19.6	25.5
Black	48.3	45.6	46.9	51.5
Hispanic	n.a.	32.8	34.6	44.0
All Two-Parent Families With Children2/	14.3	12.7	14.1	19.5
White	12.4	11.4	12.6	17.7
Black	32.1	24.5	26.6	32.8
Hispanic	n.a.	19.2	22.2	30.1
All Female-Headed Families with Children	71.1	68.9	61.9	65.5
White	68.4	63.8	56.7	61.4
Black	83.9	78.4	71.7	72.7
Hispanic	n.a.	81.6	75.4	79.8

1/ "Low earners" are family heads with weekly earnings below $204 per week in constant 1984 dollars. Such persons could not earn the poverty-line income for a family of four even if they worked 52 weeks a year at their current weekly wage.
2/ Husbands are classified as the heads of two-parent families.

Source: Sheldon Danziger and Peter Gottschalk, How Have Families with Children Been Faring?, Joint Economic Committee, November 1985.

CONCLUSIONS

Family composition changed significantly in the United States during the 1970's. Largely because of rising rates of divorce and some increase in illegitimacy rates (among teenage whites), the number of female-headed families increased (see Appendix). Moreover, sizable declines in the fertility rates of married couples greatly increased the percent of the nation's children being raised in single-parent families.

Most of the dramatic changes took place from the period of 1970 to 1980. Since then, we have seen a sizable drop in the rate of increase of single-family households.

As disturbing as these changes have been, however, they have not been the driving factor in the very large increases in poverty that we have experienced since 1979. Economic factors and changes in public policy have been the underlying reasons. High rates of unemployment and underemployment, weaker earnings, and smaller amounts and tighter eligibility standards for cash assistance to the non-aged have all led to higher rates of poverty than those of the 1970's.

Policymakers concerned with reducing poverty will need to address these factors if they hope to make serious progress against a problem that is more severe today than it was a decade ago.

APPENDIX

Although this study demonstrates that economic trends and public policy are the primary causes of the higher rates of poverty in the 1980's, it is true beyond question that changing family structure poses problems and challenges for the future. Therefore, it is important to understand these trends correctly.

Because of increased media attention to the problem of teenage pregnancy, many equate the rise in single-parent families with increases in teenage pregnancy, especially among blacks. This impression is wrong for a number of reasons:

* First, the single largest reason for increases in the number of single-parent families is the increase in divorce rates and other forms of marital dissolution, such as separation, not illegitimacy.

* Second, the black illegitimacy rate actually declined in the 1970's and 1980's, even among teenagers. In fact, black illegitimacy problems peaked by 1961, and increased most dramatically from 1940 to 1960.

* Third, illegitimacy <u>ratios</u> (i.e., children born out of wedlock as a percentage of all children born) have increased -- leaving people with the impression that illegitimacy has increased in similar ways. However, the rising illegitimacy <u>ratios</u> are primarily a consequence of falling birth rates

among married couples of all races, rather than rising rates of out-of-wedlock births.

Divorce

In 1970, the divorce rate per 1,000 population was 3.5; by 1980, it was 5.2, dropping in 1984 to 4.9. From 1970 to 1984, the divorce rate increased 40 percent .

In 1970, divorce and other forms of marital dissolution accounted for 3,695,000 families with single-parent heads of households. By 1984, the number had grown to 7,124,000.

In contrast, in 1970, "never-married" heads of households accounted for 270,000 of single-parent households. This figure, however, is probably very understated because the Census Bureau had not yet developed accurate procedures for determining female single parents living in related subfamilies. During that earlier period, if a single mother and her child lived with the mother's parents, her father was probably coded as the head of household, and the child's mother was coded as a dependent. This makes time series analysis of the growth of single-parent households very difficult.

In any case, by 1984, the number of "never-married" female and male heads of family households had increased by 2,268,000.

Despite the substantial statistical increase in "never-married" heads of households, divorce, separation, and spousal

absence accounted for 3.14 times as many single-parent family households in 1984 as did illegitimacy.

TABLE A-1

SINGLE-PARENT HEADS OF FAMILY HOUSEHOLDS

BY TYPE (1,000)

Type	1970	1984
Divorced, Separated, Absent Spouse	3,695	7,124
Never Married	270	2,268

Source: Statistical Abstract of the United States, 1985

Illegitimacy Rates and Ratios

It is now well known that illegitimacy ratios -- the proportion of births that are illegitimate -- have been rising, especially among blacks. This has led many to conclude that illegitimacy has been rising at an unprecedented rate.

In fact, illegitimacy has been declining among blacks and other minorities for almost two decades. Among whites, although much smaller, the trends have been mixed with declines in some age groups and increases in others, most notably teenagers.

Nevertheless, trends for illegitimacy ratios have all gone in the same direction -- up. The discrepancy is due to the different phenomenon that each figure measures, and these differences may influence how we approach the problem.

Illegitimacy ratios measure the proportion of all births in a given group that are illegitimate. Therefore, a rising illegitimacy ratio may mean that non-marital fertility has increased or that marital fertility has decreased, or both.

Illegitimacy rates, on the other hand, measure the percentage of all unmarried women in a given group that give birth in that year. Expressed in another way, illegitimacy rates decribe the probability of an unmarried woman giving birth.

Thus, it is possible for illegitimacy ratios to rise even as illegitimacy rates are declining. This is the case for blacks, and also for whites of many age groups. For example, in 1961, the illegitimacy rate for blacks and other nonwhite minorities was 101.0 (per 1,000 unmarried women) for ages 15-44. By 1981, the figure had dropped to 75.1. One would assume that illegitimacy ratios would have fallen as well, but just the opposite has been the case. During the same time period, illegitimacy ratios for the same group rose from 223.4 to 485.1.

The reason, of course, was that the birth rate among married couples had fallen tremendously in minority communities, as well as in non-minority communities, leaving illegitimate children as a larger percent of all children born.

In all instances, falling martial fertility rates rather than rising non-marital fertility rates have been the primary reason for the increases in illegitimacy ratios.

TABLE A-2

BIRTH RATE FOR SELECTED YEARS
1960-1983

Category	1960	1965	1970	1975	1980	1983
Birth Rate Per 1,000 Women	118.0	96.6	87.9	66.0	68.4	65.8
White	113.2	91.4	84.1	62.5	64.7	62.4
Black and Other	153.6	131.9	113.0	87.7	88.6	83.2
Black	153.5	133.2	115.4	87.9	88.1	81.7

Source: Statistical Abstract of the United States, 1985

TABLE A-3

FERTILITY RATES AND RATIOS BY RACE AND AGE
1960-1980

Age Group And Year	Fertility Rate		Marital Fertility Rate		Nonmarital Fertility Rate		Illegitimacy Ratio	
	Black And Other	White	Black And Other	White	Black And Other	White	Black And Other	White
15-19								
1960	158.2	79.4	659.3	513.0	76.5	6.6	421.5	71.6
1970	133.4	57.4	522.4	431.8	90.8	10.9	613.5	171.0
1980	94.6	44.7	344.0	337.6	83.0	16.0	851.5	329.8
20-24								
1960	294.2	194.9	361.8	352.5	166.5	18.2	199.6	21.9
1970	196.8	145.9	267.6	244.0	120.9	22.5	295.0	51.8
1980	145.0	112.4	232.8	198.2	108.2	22.6	560.2	114.9
25-29								
1960	214.6	252.8	225.0	220.5	171.8	18.2	141.3	11.4
1970	140.1	163.4	159.3	164.9	93.7	21.1	180.6	20.7
1980	115.5	109.5	149.7	148.4	79.1	17.3	361.7	50.2

Source: William Julius Wilson and Kathryn Neckerman: "Poverty and Family Structure," paper prepared for Conference on Poverty and Policy; U.S. Department of Health and Human Services, February 1985. Figures in this table are listed as "Black and Other" because data for blacks alone did not exist prior to 1969. However, the trends are the same given the statistical significance of blacks in this category.

As a society, these figures present us with a dilemma. A larger and larger share of our nation's children are being born out of wedlock, and spending a portion of their youth in poor, single-parent families. This has been documented many times elsewhere, and need not be repeated here. However, it is instructive to realize that, in many instances, there has been genuine progress in reducing the out-of-wedlock birth rate, especially among blacks, even as the proportion of children born

out of wedlock has increased. Further improvements in reducing illegitimacy rates among both races will not increase the number of children born to married-couple families, regardless of race. Simply, even if we are successful in reducing illegitimacy further, there is no guarantee that an increasing percent of our nation's children will not find themselves in poor, single-parent families, and thus in circumstances which will make it more difficult for them to develop the skills necessary to become productive members of our society.

ECONOMIC JUSTICE FOR ALL MARYLANDERS

A MARYLAND RESPONSE TO THE NATIONAL PASTORAL LETTER ON CATHOLIC SOCIAL TEACHING AND THE U. S. ECONOMY

RECOMMENDED POLICY DIRECTIONS
FROM THE
MARYLAND CATHOLIC CONFERENCE

I. TAXES ---------- page 1

II. UNEMPLOYMENT ---------- page 6

III. POVERTY AND HUNGER ---------- page 16

IV. SHELTER ---------- page 26

I. TAXES

A. The Challenge

> "The tax system should be continually evaluated in terms of its impact on the poor. This evaluation should be guided by three principles. First, the tax system should raise adequate revenues to pay for the public needs of society, especially to meet the basic needs of the poor. Secondly, the tax system should be structured according to the principle of progressivity, so that those with relatively greater financial resources pay a higher rate of taxation. The inclusion of such a principle in tax policies is an important means of reducing the severe inequalities of income and wealth in the nation .... Thirdly, families below the official poverty line should not be required to pay income tax. Such families are by definition without sufficient resources to purchase the basic necessities of life. They should not be forced to bear the additional burden of paying income taxes."
>
> Economic Justice for All: Catholic Social Teaching and the U.S. Economy*

B. The Opportunity

A number of economic, social and political events will combine to make 1987 a unique time in Maryland's history for pursuing economic justice. Shortly after the new year begins, Mayor Schaefer will be inaugurated as Governor and a new General Assembly with new leadership in both chambers will be sworn in.

---

*National Conference of Catholic Bishops, Washington, D.C. (November 13, 1986).

In addition to the usual fiscal challenges of balancing competing budget interests, Maryland's new leaders will face a rare opportunity. Recently enacted federal tax reform impacts significantly on state income tax revenues. Maryland is expected to gain more than $166 million annually. The new Governor and the new legislature will have the opportunity to determine the purposes to which this unexpected substantial increase in state revenues will be put.

C. Policy Directions

Taxes and the Poor: Thousands of Marylanders who work hard in marginal jobs and earn relatively small incomes still fall below the poverty line -- and still pay state taxes. We urge our leaders to reduce or eliminate the tax burden on the lowest-paid of Maryland's workers.

Currently, less than three percent of Maryland income taxes are paid by those whose adjusted gross income is less than $10,000. Considerably less than three percent of state taxes will be paid by this taxpayer category once federal tax reform takes effect, since the new law relieves many low-income people of the responsibility of filing federal income tax returns. Marylanders who are not required to file federal tax returns generally do not have to file state returns or pay state income taxes. While we commend this existing state policy, we believe a

further step is necessary.

In 1988, a married couple with two children earning $12,800 will be required to file a federal income tax return, but will pay no federal tax on income. But because they will file a federal return, they must also file a state return. Under present state law, they will be required to pay $336 in Maryland income taxes and $168 in local taxes in Baltimore City and most counties. The total $504 tax bill is a substantial burden for people who are working and trying to raise a family, but who also are poor. It can and should be completely eliminated by exempting from state income-tax liability those who do not pay federal income taxes.

Closely related to the problem of the poorest income tax payer is the situation of those just above the tax-free threshold. Those earning even $1.00 above the cut-off currently must pay taxes on their total income. For example, under the present system, a family of four earning $7,599 in 1987 would be removed from the state's tax rolls. Yet if the same family of four earned just one dollar more, $7,600, it would be required to pay a combined state and local tax bill of $170. This is not just. While we understand that there may be several ways to overcome the problem and that we must defer to the tax experts for the

best remedy, we believe that a remedy should be found and applied.

Finally, we encourage our political leadership to institute a state earned-income credit to further assist those who are working, but are still in poverty.

These recommended steps to remove or reduce the tax burden of the poor would still leave substantial revenues available for the funding of other government programs and would go a long way toward helping our lowest paid workers. As importantly, these recommended reforms would send a powerful message of hope and promise to those struggling to move from public assistance to economic self-sufficiency.

Fairness: Under the state's present state tax rate structure, which went into effect in 1967 and has not been modified since, persons now earning as little as $3,000 are taxed at the same rate of taxes as the wealthiest people in the state. This is not only regressive, it also violates basic principles of fairness.

The principle of progressivity is as appropriate at the state level as it is nationally. We encourage our political leaders to apply it to Maryland's tax-rate structure.

Investing in Maryland's Human Potential: We also encourage Maryland's executive and legislative leaders to

use the increased revenues to creatively invest in our citizens. The people of this state are its greatest resource. Investments in programs that enhance their dignity and expand their potential as contributing citizens will produce positive immediate effects and contribute significantly to our state's long-range growth.

We believe that society nurtures and develops itself best when it focuses first on its most vulnerable. And so we encourage those of our state leaders who face the challenge of investing the state's new tax revenues to give priority attention to the needs of the poor and the vulnerable in our midst.

In the following sections, we attempt to describe some of the more pressing of those needs and we offer some suggested general policy directions. We look forward to working with the state's new leadership as together we endeavor to create an economically viable Maryland that is most just and compassionate.

II. UNEMPLOYMENT

A. The Challenge

> "Full employment is the foundation of a just economy. The most urgent priority for domestic economic policy is the creation of new jobs with adequate pay and decent working conditions. We must make it possible as a nation for every one who is seeking a job to find employment. Our emphasis on this goal is based on the conviction that human work has a special dignity and is a key to achieving justice in society."
>
> Economic Justice for All

B. The Realities

Today some 100,000 Marylanders who want work cannot find jobs. Thousands more have stopped looking for work out of frustration or discouragement, convinced there is no place for them in the Maryland economy. In communities ranging across the state -- from Cecil, Dorchester and Somerset Counties on the Eastern Shore, to significant sections of Baltimore City, to the Western Maryland Counties of Allegany and Garrett -- levels of unemployment are excessively high.

As is the case nationally, Maryland's unemployed are disproportionately minorities, female heads of households, and young adults. The unemployment rate among minorities is almost twice as high as the rate among whites. More than one in ten female heads of household are jobless, as are 15 percent of all teens aged 16 to 19. Among black

teenagers, unemployment reaches the scandalous rate of nearly 50 percent.

There are many Marylanders, until recently employed in manufacturing, who find themselves out of work for the first time in their lives. In the last six years, the Baltimore area alone lost 21,500 manufacturing jobs. The impact of plant closings in Western Maryland has been at least as devastating for the economy and people of that region. Four years from now, manufacturing is expected to account for only 10 percent of all Maryland jobs, with much of the new-job growth during that period expected to come in such traditionally high-turnover, low-paying work as clerical, janitorial, sales and food service. New jobs added to the national economy since the beginning of the decade provide an average wage that is less than the poverty level for a family of four. Another 60 percent have been in settings that provide an average annual income of $13,600.

At the same time as thousands of Marylanders are out of work or are being forced out of jobs, our state is experiencing a boom in high-technology industries, such as communications equipment, computer and data processing services, and research. But there is a great mismatch between the skills required in these fields and skills possessed by unemployed and disadvantaged workers. The

mismatch between the sites of the state's most active job markets and the areas of highest unemployment also is substantial.

It is a deep conviction of American culture, a conviction enthusiastically embraced by the people of Maryland, that work is central to individual freedom and the well-being of society. The Church views the right and duty of each individual to provide the necessities of life for himself and his dependents as among our basic rights, which must be preserved inviolate. In the words of Pope John XXIII, "This implies that whatever be the economic system, it allow and facilitate for every individual the opportunity to engage in productive activity." In the absence of opportunity to fulfill this duty, to enjoy the essential right, individuals cannot help but feel a sense of diminished worth. They are told, in effect, that their society does not care about their eagerness to work, that it is not interested in the talents and dedication they might bring to the market place. Defined by society as superfluous, they are encouraged to be invisible.

But the terrible toll unemployment takes on these men and women and their families is not invisible. Unemployment is often a cause of family tension, drug and alcohol abuse, family violence, and divorce. Few who suffer prolonged periods of unemployment, even those with

savings sufficient to meet emergency needs, are able to avoid at least some psychological damage. At the extreme, the strains of job loss may drive individuals to suicide.

These effects and the accompanying waste of personal energy and creativity are not the sole social consequence of unemployment; society at large is diminished as well. The unemployed pay little or no taxes, thus reducing local, state and federal revenues. At the same time, rising unemployment requires increased expenditures for unemployment compensation, food stamps, welfare and other assistance. We can expect a federal deficit increase of roughly $40 billion for every one-percent increase in the unemployment rate. The drain on state and community fiscal resources is proportionally severe. Societal costs also are apparent in the rise of crime associated with joblessness. Increases in the prison population follow hard on increases in unemployment and studies have made clear the connection between the rate of unemployment and the frequency of homicides, robberies, narcotics arrests, larcenies and youth crimes.

To these stark realities we add our own pastoral experiences with individual men and women who face the hardships of unemployment, with families who share those burdens, and in the communities of our state hardest hit by the absence or loss of jobs. This combination of reliable

data and first-hand personal involvement compels the conviction that, as a state, we cannot afford to have many thousands of our able-bodied neighbors out of work. Nor can we afford the economic costs, the social dislocation, and the terrible human suffering unemployment causes. What we can afford least of all is the assault on human dignity that occurs when substantial numbers of our fellow Marylanders are unable to enjoy the basic right and fulfil the fundamental duty to provide the necessities of life for themselves and their dependents. And so we must conclude the current reality of unemployment in our state is unacceptable, imposing on us a moral obligation and the obligation of citizenship to work for policies that will reduce joblessness.

C. Policy Directions

We believe that we must work together to establish a statewide consensus that every Marylander who can work should have an opportunity to work. We therefore call for a major new commitment to a significant increase in Maryland jobs and an equally significant decrease in our state's unemployment.

The challenge of generating a full-employment consensus in Maryland and then of creating needed jobs is and must be a shared responsibility that falls on all of us -- business and labor, the voluntary sector, the general

public, and those in positions of public leadership.

It is clear that dramatic necessary increases in employment cannot come to pass without major new efforts by the public and private sectors -- separate undertakings as well as joint initiatives. If employment strategies for the state are to be effective, the enthusiastic involvement of private enterprise, which accounts for the great majority of Maryland jobs, is essential. So is the role government must play in the coordination of general economic policies and the initiation and management of viable job-creation programs.

Fortunately, there are models for such undertakings. The Bayview Research Center represents a shoulder-to-shoulder effort of government, semi-private institutions, and private enterprise. Construction and staffing of this vast new medical research complex in East Baltimore are expected to create as many as 5,000 jobs. And thanks to the efforts of the civic group BUILD, Baltimore's schools and the Greater Baltimore Committee have inaugurated a program designed to encourage teenagers to stay in school. High school graduates meeting grade and attendance standards will be first in line for job interviews at participating firms. These joint-enterprise initiatives are especially encouraging. More are needed.

Combined efforts also should focus on limiting the

impact of unfavorable labor-market changes through the development of such mechanisms as early-warning policies documenting signs of plant disinvestment; combined outplacement, job-search instructon and career counseling programs; job-sharing arrangements; relocation benefits; and retraining accounts that are financed like pension plans. In addition, business, labor, and government should join hands to significantly expand private sector-based apprenticeship and job-training programs, to facilitate the transportation of workers from high-unemployment areas to areas of expanding job opportunities, and to develop mechanisms through which displaced workers can adapt to the structural transformation of the labor market.

The state's taxing and spending policies are especially important mechanisms for supporting the kind of economic growth that will generate more and better jobs. These policies, including the changes in state tax law now being developed in the wake of Congress' sweeping revision of the federal tax code, should be coordinated and focused in ways designed to achieve the goal of significantly increasing jobs and greatly decreasing unemployment in Maryland.

We support substantial new state investment in direct job-creation programs, especially those that focus primarily on the long-term unemployed and on jobless

persons with special needs. In this regard, use of state funds to stimulate private sector jobs holds special promise. Baltimore City's Options program, the Western Maryland Consortium's jobs-training program, and the recent Investment in Job Opportunities proposal of the Hughes Administration seem to offer positive foundations on which an appropriate state response can be constructed.

The effectiveness of any such response will depend on a variety of factors, including the financial commitment made to it by policymakers and the extent to which it fosters business participation, emphasizes job permanency, and includes supportive services designed to assist the unemployed in finding jobs and keeping them. The true value of any job-creation program will depend on its ability to offer genuinely productive work, fair pay, and decent working conditions. "Make-work" programs and punitive job-creation schemes do not and cannot meet these criteria.

Concomitant with its responsibility to help bring marginalized persons into the labor force is government's responsibility to help prepare them for productive and useful labor. Maryland's educational system, notably its high schools and community colleges, should increase its emphasis on developing basic literacy skills and addressing the training needs of education dropouts and other high-

risk youth. Training that responds to specific employer requirements will prove especially valuable, making consultation and cooperation with private industry essential.

State government also should expand its programs for bringing new companies to Maryland and retaining those located here. Special emphasis should be accorded to the retention of manufacturing companies, whose jobs not only tend to pay better than many jobs in the non-manufacturing sector, but also have the effect of creating at least two positions in other related areas for every one manufacturing opportunity.

Special employer attention should be brought to bear on the matter of pay equity between men and women and on the development of programs that support women employees in their roles as mothers. Such innovative programs as subsidized child care at the workplace, generous paid and unpaid pregnancy and family leave, and flexible and part-time hours have proven successful in improving efficiency and retaining qualified workers.

Government's policies should support a mother's decision to stay at home when her children are very young and ensure that she will not subsequently have to pay a higher price for devoting full time to child care. Special tax treatment would enable mothers who choose to stay at

home to offset lost wages. A fairer allocation of pension and other benefits and of property for widows and divorced women, as well as the more vigorous enforcement of family support payments, would help protect mothers from poverty later, when their years of child care mean lower earnings and diminished retirement income.

These then are among the approaches that need to be tried and tested in the search for just employment policies in our state. A belief in the inherent and redeeming value of human work and in the inviolate right to engage in productive activity should move all sectors of our society to carry on that enterprise with hope and great determination.

III. POVERTY AND HUNGER

A. The Challenge

> "Human rights are the minimum conditions for life in community. In Catholic teaching, human rights include not only civil and political rights, but also economic rights. As John XXIII declared, all people have a right to life, food, clothing, shelter, rest, medical care, education, and employment. This means that when people are without a chance to earn a living and go hungry and homeless, they are being denied basic rights. Society must ensure that these rights are protected. In this way we will ensure that the minimum conditions of economic justice are met for all our sisters and brothers."
>
> Economic Justice for All

B. The Realities

The national Pastoral Letter on Catholic Social Teaching and the U.S. Economy makes clear that all members of society have a special obligation to the poor and the vulnerable. The Letter challenges us to make a "preferential option for the poor" -- to speak for the voiceless, to defend the defenseless, and to assess lifestyles, social institutions, and public policies in terms of their impact on the poor.

The challenge is relevant to our lives as citizens of the Free State, for poverty is very real in Maryland. Limited neither by race, nor sex, nor age, it is as prevalent in rural areas as in our cities and towns. It is

III. POVERTY AND HUNGER

A. The Challenge

> "Human rights are the minimum conditions for life in community. In Catholic teaching, human rights include not only civil and political rights, but also economic rights. As John XXIII declared, all people have a right to life, food, clothing, shelter, rest, medical care, education, and employment. This means that when people are without a chance to earn a living and go hungry and homeless, they are being denied basic rights. Society must ensure that these rights are protected. In this way we will ensure that the minimum conditions of economic justice are met for all our sisters and brothers."
>
> Economic Justice for All

B. The Realities

The national Pastoral Letter on Catholic Social Teaching and the U.S. Economy makes clear that all members of society have a special obligation to the poor and the vulnerable. The Letter challenges us to make a "preferential option for the poor" -- to speak for the voiceless, to defend the defenseless, and to assess lifestyles, social institutions, and public policies in terms of their impact on the poor.

The challenge is relevant to our lives as citizens of the Free State, for poverty is very real in Maryland. Limited neither by race, nor sex, nor age, it is as prevalent in rural areas as in our cities and towns. It is

experienced at some time by many in different walks of life and in different circumstances. For some, its duration is of long term. Among the hardest hit are those least able to defend themselves against its ravages -- children, single mothers, the elderly, disabled citizens, and parents of pre-school children.

About one in every 10 Marylanders lacks sufficient material resources required for a decent life. Half of these individuals, some 200,000 persons comprising about 70,000 families, benefit from monthly government assistance that includes food stamps. At no more than $556 for a family of three, however, this assistance is more than 20 percent under the $700 figure calculated by the Maryland Department of Human Resources as the minimum decent standard of living. Seventy percent of all recipients of monthly income assistance -- about 140,000 individuals -- are children. An additional 200,000 Marylanders, "poor" by official standards, receive no government income assistance at all. Thousands more reside on the edge of poverty, just a plant closing or job furlough away.

Maryland is among the wealthiest of the states, ranking sixth in per capita income, yet in the amount of public assistance it provides to poor families with dependent children, it ranks only 26th in the nation. The state is even less responsive to the needs of recipients of

its General Public Assistance program -- the 20,000 Marylanders who are unable to work because of physical disabilities or mentally handicapping conditions and ineligible for any other federal or state income-assistance program. GPA program beneficiaries can receive no more than $236 a month, including food stamps. The figure is $156 under the $392 determined by the Department of Human Resources to represent a minimum decent standard of living.

Among the greatest threats to those poorest in our midst is the resurgence in our society of hunger and malnutrition. According to a state task force on food and nutrition, Maryland's poor spend upwards of 40 percent of their income on food, yet they regularly must wonder whether their food allowances will last the month. In a great many cases, they will not. The state task force estimates that more than 700,000 Marylanders experience hunger at some point each month. Many thousands suffer the effects of chronic malnutrition, effects that manifest themselves in alarming increases in infant deaths, premature births, and low birthweight infants.

In some areas of our state, conditions are particularly extreme. In Baltimore City, for example, more than two of every 10 citizens attempt to meet their food and nutrition needs with budgets that are below the poverty level. Somerset County, consistently one of the 10 poorest

counties in the nation, has been designated "a starvation county" by the U.S. Department of Agriculture. And in Western Maryland, plant closings and job loss have greatly overtaxed that area's emergency food assistance programs.

Extreme conditions cause extreme effects. The incidence of low birthweights in Dorchester, Somerset, Wicomico and Prince George's Counties is well above the state average. In Baltimore City, the rate is twice the state average. These areas also have high rates of infant death. While one of our richest counties has an infant mortality rate of eight per 1000, nearly 20 of every 1000 children born in Baltimore City and Dorchester, Garrett and Wicomico Counties die before their first birthday. Many of these infants die of complications associated with inadequate diets and nutrition.

The cause of these realities is not housekeeping and budget-planning inefficiences -- the state task force makes clear that low-income people get more nutrition per food dollar than their non-poor neighbors. The cause is poverty -- the absence of adequate income -- seriously compounded by severe cutbacks in federal food and nutrition assistance and, at the state level, by inadequate interagency planning and coordination.

We have seen the faces of poverty and hunger in our

state. They are at our doors and in our parishes. They are in our shelters, our hospitals and our service agencies. We feel their pain.

We also have seen the faces of decency, generosity, and deep-felt concern; the often heroic efforts of families to make ends meet and provide better futures for their children; the efforts of the many workers and managers, professional and business people who live and act in the light of their beliefs. It is this faith, good will and shared concern that give us special hope that our state will reaffirm its commitment and revitalize its response to the needs of the poorest among us.

The challenge of a preferential option for the poor is a challenge for all society. On the personal level, each of us has a duty to assist the poor through individual and communal acts of charity. But private charity and voluntary action are not enough. We must also recognize and embrace the responsibility to assist the poor by focusing our collective energies and expectations on government, in behalf of the creation of fair and genuinely responsive public policy.

We have mentioned elsewhere in these remarks the Church's strong emphasis on the importance of work to human well-being. Clearly, the best thing our society can do for many of our poor -- the thing most consistent with their

human dignity -- is to secure for them the opportunity to work. Maryland needs imaginative programs that will match the poor with decent, productive jobs at just wages and provide necessary supportive services. But as we set about to build and maintain a healthy economy that provides employment for those who are able to work, we must be mindful of the many who, because of age, disabling conditions, or family circumstances, are unable to do so and who must continue to rely on government assistance to support themselves and their children.

For these Marylanders, the public welfare system is a solitary refuge, their only safety net. The programs that comprise this system should serve the needs of the poor in ways that provide adequate support and respect their dignity. In our view, Maryland's welfare system does not meet these criteria. As a consequence, we are faced with a moral obligation to work for policy changes that will improve the system and, in doing so, ensure that the minimum conditions of economic justice are met for all.

C. Policy Directions

Our state's public assistance programs should provide their beneficiaries with adequate levels of support that cover the basic needs for food, clothing, shelter, health care, and other essentials. Today, however, the maximum combined benefits of Aid to Families with Dependent

Children and food stamps amount to only about 80 percent of the monthly income level recognized by our state government as essential to the maintenance of a minimum decent standard of living. And for those who are unable to work because of physically or mentally handicapping conditions, the benefits of Maryland's General Public Assistance program are a full 40 percent under the income level required for a minimally decent life.

Recipients of public assistance should not be compelled to face the prospect of hunger at month's end, of sending their children off to school unfed or in ragged clothing, or of inadequate housing or health care. And so we call for a major new initiative designed, over a reasonable period of years, to raise state AFDC and GPA grant assistance to 100 percent of the total standard of need recognized by our state government as essential to a minimally decent standard of living. That having been achieved, we believe that future state benefit increases should be indexed to increases in the cost of living.

Our state's public assistance programs also should promote self-sufficiency through gainful employment. Recently enacted federal legislation provides a significant new opportunity for progress in this area. Under existing regulations, individuals who give up welfare benefits for low-paying employment face the loss of health-care services

made available through the Medicaid program. The new law enables states to provide Medicaid coverage to families whose incomes are below the poverty line, but too high to qualify for welfare. The law also would permit people who are working and receiving welfare assistance to continue to receive Medicaid benefits, even if their incomes surpass the welfare limit. The state's share of the Medicaid expansion amounts to 50 percent of its total cost. The investment can be expected to prove sound in practical as well as moral terms -- many who have been ineligible for Medicaid have relied instead on other social programs, some funded entirely by state revenues; Maryland's willingness to pay its share might well result in an overall saving of state dollars.

In another effort to facilitate self-sufficiency among welfare recipients and the consequent reduction of their dependency on public assistance, state welfare and income-support programs should be closely coordinated with job creation and training programs that feature placement, counseling, basic remedial education, transportation and child care.

And as they strive toward the provision of more appropriate income assistance and the promotion of self-sufficiency, Maryland's public assistance programs should undertake a renewed effort to fashion responses to the

compelling needs of the poor that are accommodating, not confrontational; facilitating, not problemmatic; efficient, not officious.

We believe that the majority of Marylanders who manage and operate our public assistance programs bring considerable skill to their jobs and endow their important work with genuine benevolence. But we also know that a large and complex bureaucracy, absent constant vigilance and care, can become impersonal, mechanistic and even insensitive. Too often, an emphasis on outcome quantity obscures the need for service quality; too often, the intended beneficiaries of public service become its victims. And so we urge our state policymakers and administrators to look with special care for opportunities to shape genuinely humane programmatic responses to essential human needs. We also encourage policymakers and program administrators to strive for increased efficiency and effectiveness in the management of initiatives intended to improve the plight of our poorest citizens.

In this regard, special attention should be directed to the state's management of programs designed to help provide food and proper nutrition to the poor. This year, Maryland's inability to extend federal food stamp benefits to nearly 40 percent of the eligible population is expected to cause a loss to the state of $40 million. The state's

inability to involve eligible poor children in federally-funded school meals programs will cost another $5 million. The losses in human terms are incalculable.

Federal funding cutbacks and regulatory restrictions greatly limit still other crucial state-administered food and nutrition programs for the poor. The WIC program serves low-income pregnant women, infants, and children under age five who meet strict income eligibility criteria and are determined to be at nutritional risk. At present, nearly 40 percent of the eligible population -- some 200,000 poor women and children -- are unserved. The congregate meal program currently serves 46,000 elderly Marylanders who are poor. But more than 31,000 of our elders are homebound and unable to travel to congregate meal sites. Less than 3,000 of these frail elderly people are recipients of <u>any</u> nutritional support services. We encourage our state's leaders to maximize the efficient expenditure of diminishing federal support funds and to supplement federal assistance with increased state support.

Development of an integrated state food and nutrition plan would signficantly decrease problems caused by complex application procedures, uneven approaches to planning, and the frequent absence of needed coordination among state agencies. Essential to the viability of such a plan will be its inclusion of a nutritional monitoring and

surveillance system that is designed to regularly monitor the nutritional status of Maryland's poor and to guide related fiscal and programmatic decision making.

Federal responses to the food and nutritional needs of Maryland's poor also are required. Among the most necessary is an alteration of the basis on which the U.S. Department of Agriculture calculates federal food and nutrition benefits. The present basis is the product of data now nearly a decade old. Updated calculation based on current marketplace realities puts current needs at a level that is close to 24 percent higher than the value of actual benefits. We therefore call upon members of Maryland's delegation to the U.S. Congress to advocate a more appropriate federal response.

The powerlessness and deprivation of the poorest among us affect our entire community. The extent of their suffering is a measure of how far we are from becoming a true community of persons. As we work to diminish their suffering, we move nearer that goal. The realities of poverty, hunger, and malnutrition pose for our state the urgent moral and human challenge of fashioning a society where no one is denied the basic necessities required for dignity and growth. We believe that Maryland has the capacity to respond to these realities with a special commitment to the poor and the prospect of their full and active participation in the economic life of our state.

IV. SHELTER

A. The Challenge

> "The obligation to provide justice for all means that the poor have the single most urgent claim on the conscience of the nation.... To face family problems, such as the death of a spouse or a divorce, can be devastating, but to have these lead to the loss of one's home and end with living on the streets is something no one should have to endure in a country as rich as ours."
>
> Economic Justice for All

B. The Realities

Tragically, the basic right to housing is not enjoyed by all the citizens of our state. Too many Marylanders cannot find or cannot afford decent housing and thousands more are without any permanent shelter at all. As pastors, we experience the dimensions of Maryland's housing crisis in our parishes, human service agencies, and homeless shelters. We see people's dignity assaulted by homelessness; we see their pride, their hopes, and their family lives undermined by inadequate and unaffordable housing.

The housing problem in Maryland is most clearly manifested in the growing problem of homelessness and in

recent data on the condition, availablility, and cost of housing in our state.

Homelessness: The findings of a recent state study confirm what we know from our own experiences -- homeless people in Maryland are a very diverse group. Most do not fit the stereotype of the drifter or the skid-row bum that often dominates discussions of homelessness. They are often families trying to find shelter after an eviction. Many are children whose parents are jobless. Many more are the victims of family violence, who flee abuse or its threat and lose housing in the process. Some are homeless as a result of de-institutionalization, discharged from institutions without ongoing help or support. Many simply lack the jobs and income necessary to find decent places to live. More than half of the homeless who receive shelter, according to the state study, are 30 years old or younger. About one of every 10 is a child under six. Forty-eight percent are members of racial minority groups. Forty percent of the homeless are in Baltimore, 22 percent in the Washington suburbs, and 20 percent in Central Maryland.

For thousands of these Marylanders, "home" means a heating grate, a park bench, an underpass, or an abondoned building. Shelter resources are nonexistent in many areas. In seven of Maryland's 24 counties (Calvert, Charles, St. Mary's, Talbot, Somerset, Kent, Queen Anne's), there are no

shelters of any kind; 14 counties lack shelters for men. In nine counties there are no facilities providing shelter for families. Clearly, our state is unable to meet the emergency, transitional, and supportive housing needs of a great many of its citizens.

Housing Conditions: For one in seven Maryland families, home means a dwelling with no indoor plumbing, a hot-plate for a kitchen, a leaky roof, walls flaking deadly lead-based paint, windows stuffed with newspapers, faulty wiring, rats and roaches. According to the Maryland Housing Policy Commission, more than 200,000 housing units in Maryland are without indoor plumbing, lack basic kitchen facilities, or are seriously overcrowded. Two-thirds of this "substandard" housing is occupied by households with incomes under $10,000. Many of these are elderly homeowners who cannot afford needed repairs, older renters whose fixed incomes preclude moving, migrant and farm workers, minority families, and single-parent families with young children.

More than 33,000 Maryland homes lack complete indoor plumbing and over 11,000 have no indoor plumbing at all. Imagine in 1986 trying to raise a family, or care for an ailing spouse with no running water! In our cities and rural areas, too many families are living in housing that does not meet minimum conditions for decent shelter.

Housing Costs: Ironically, given the physical

inadequacies of much of the housing available to the poor, the poor tend to spend a much higher percentage of their income for shelter than those of us who are better off. Well over half of those with incomes of less than $10,000 spend more than a third of their income for rent -- only two percent of those with incomes over $20,000 spend that much.

In addition, the dream of home ownership is increasingly out of reach for many Marylanders. Seven out of 10 families who now rent cannot afford to purchase the average-priced home in Maryland. A recent analysis of Maryland's housing needs indicates that the state needs 99,000 units of housing for Marylanders earning less than $20,000 and predicts that only 12,500 will be built by 1990, leaving a massive shortfall of 86,500 affordable units.

Across our state, waiting lists for subsidized housing are staggering. In Baltimore City there are 38,000 families on a waiting list for only 18,000 units of public housing. In Montgomery County, 4,500 families are waiting for low-cost housing. In Baltimore County there are fewer than 1,000 units of subsidized housing; the need is estimated at more than 20,000. In many Maryland counties, particularly rural counties, there is no public housing at all and very few units of private housing are available for

which rents are subsidized. In the recent past, the "Section Eight" subsidy program of the U.S. Department of Housing and Urban Development has provided vital housing assistance to the poor. Federal budget cuts, however, have cut the program dramatically -- last year, only 200 housing units were added statewide.

C. Policy Directions

While these numbers illustrate the objective dimensions of our housing problems, they do not portray the human costs of homelessness and inadequate housing in our state. Nor do they measure the family disruption, the personal stress, or the community friction that results from the lack of decent affordable housing. Maryland is paying a heavy human and social price for our failure to provide a way for people to find and keep decent housing.

This is particularly true for the homeless in our midst. More and more we are seeing people whose existence revolves around the struggle to find food and shelter. There is some little help for them in soup kitcehns and shelters. But ve owe our neighbors more than a bowl of soup and a place to sleep. We do not want to be misunderstood -- we must ensure that no one goes without these absolute necessities; we must continue to insist that government must help provide these basics. But we cannot pretend that soup kitchens and shelters are more than band-

aid responses to the critically serious problems of poverty and homelessness. Shelters cannot substitute for real housing. The charitable efforts of our Church and others cannot substitute for public policies that offer long-term solutions.

We therefore believe that major new efforts are needed to assist people in obtaining decent places to live at prices that are affordable. We especially need creative efforts to produce affordable new housing and to preserve existing housing for low-income families.

In the past, the federal government has been deeply involved in helping communities meet their housing needs. Unfortunately, federal programs have been virtually abandoned and with them, the federal role in housing. This tragic development has exacerbated our housing problems. The state of Maryland, on the other hand, is beginning to face up to its responsibilities to help its citizens obtain decent and affordable housing. Early this year, Governor Hughes proposed and the General Assembly adopted a creative, comprehensive housing initiative targeted on the housing needs of the poor. Bold and creative in design, the state's commitment is modest in terms of new resources. But it is a promising beginning, a welcome down payment on a long-term effort to meet our housing needs. The initiative provides flexible and creative tools and some

initial resources to begin to address these problems.

We urge the leaders of our state to build on this foundation, to expand and strengthen programs that are beginning to make a difference in providing housing and shelter for those in need. We especially call for additional funds to provide indoor plumbing for all Marylanders, to assist in the development of low-cost rental housing for the poor and elderly, to provide decent shelter for the homeless across our state, to build a rental-assistance bridge between homelessness and shelter, and to respond to the needs of the frail elderly, the physically and mentally ill, and others who need supportive housing or group-home care.

Maryland needs a continuing and sustained investment of state resources in the programs of the Maryland Housing Initiative. We join with others in supporting the Maryland Housing Policy Commission's call for significant funding increases in the state's Housing Initiative. These new programs are bringing together creative public/private partnerships to produce much needed new housing and shelter. Without new public investment and strong support, they will lose their momentum and the hopes they have raised will be dashed.

We especially support efforts to prevent homelessness, to respond to the emergency need for shelter,

and to help homeless people leave the streets for a better, more independent life. Creative transitional housing programs designed to help homeless people move from emergency facilities to independent living arrangements should have a significant place in the priorities of our local and state governments. We also need a new emphasis on developing non-traditional housing settings for people who do not require institutional care, but do require some form of community living with supportive services. The single-room occupancy residence or roominghouse is a housing option that is a viable alternative for many homeless people. However, these alternatives have not received sufficient attention and support and are quickly disappearing from our housing inventory. Our human service and housing programs need to be reviewed and coordinated to provide a continuum of services leading to a decent and, where possible, independent life for homeless people.

Special steps also are necessary to prevent greater numbers of the recently unemployed from losing their homes. Foreclosure relief in the form of counseling and low-interest loans can be the all-important shield against financial collapse, mortgage foreclosure, and personal humiliation. Current state foreclosure-relief criteria, however, are restrictive in the extreme, providing assistance to only a small percentage of those whose need

for help is critical. These state standards should be reexamined with an eye toward making them more responsive to pressing extant needs.

Steps also should be taken to end the terrible threat which poisonous lead paint poses for children of many of our state's poor families. Lead poisoning, primarily caused by an infant's ingestion of flaking lead-based paint, causes devastating, lasting physical and mental health problems and costs about $2 million a year for treatment. The remedy -- rendering dwellings lead-free, or at least lead-safe -- is not an inexpensive one. But the cost of remediation appears miniscule when it is measured against the waste of young minds and bodies and the growing toll lead poisoning takes on Maryland taxpayers. Movement toward absolute remediation should not be delayed.

In addition to strong public leadership and investment, we encourage private sector leaders involved in all aspects of housing -- including builders, bankers, unions, advocates, developers, non-profit groups, and churches -- to work together with public officials to fashion new and collaborative responses to the housing needs of Maryland's poor. We need to explore what each of us can contribute to a concerted effort to meet the urgent need for affordable housing in our communities. We need

creative partnerships that match the expertise and skills of private developers, the community ties and commitment of religious and human service groups, and the knowledge and resources of local, state, and federal governments. Working together, we can make a difference. We can begin to redeem the promise of decent housing for all Marylanders.